

"It is essential that vessels including motor-sailing ships be busily employed in service with minimum anchoring at ports. This depends largely upon what facilities the ports have: dredging has long been stopped in navigable ways and harbors, and war-damaged cranes and other equipment are unrepaired. Loading and unloading capacity is reduced to 60 percent of what it was before the war in case of coal and other cargo in bulk and further to 40 percent in case of rice, cereals and other miscellaneous goods. Harbor dredging and rehabilitation of cranes, landing places, sheds and warehouses are urgently needed. It may be added that the cost of water transportation is higher than on land mainly due to the great expansion in stevedore charges.

"Trucks and motor-sailing ships serve a supplementary function to railroads and vessels. Trucks, including those newly manufactured and those released by the Occupation Forces, number 124,000 and carried 170,000,000 tons in the fiscal year 1947. Shortage of tires constitutes a bottleneck in truck transportation which is in turn due to shortage of rubber and the extremely shortened life of tires. Shortage of fuel oil is another serious problem: 60 percent of trucks, 50 percent of automobiles and 80 percent of buses, that is to say, 60 percent of the total number of vehicles, had to be transformed to run on substitute fuels and further transformation will mean further pressure on the supply of household fuels. Fuel oil is badly needed for expanding highway transportation which constitutes a chain in the production increase program. Motor-sailing vessels at present number 18,000 with a total tonnage of 850,000 tons, of which 680,000 tons is in actual service. They carried 200,000,000 tons of goods in the 1947 fiscal year. Here again the biggest bottleneck is the short supply of fuel oil.

"A few words on passenger transportation: increased population and the general higher level of productive activities cause an increase in passengers to be carried. Government railroads carried an average of 9,500,000 people per day during 1947, an increase of 13 percent over 1946 when 8,400,000 were carried per day. Judging from the coal production and rehabilitation of rolling stock, it is anticipated that about a year from now passenger service will be improved to a certain extent.

"Importance of communications in the maintenance and operation of the modern social and economic structure is no less than that of transportation. It affects the productive activities a great deal but, to our regret, smooth operation of telegraph and telephone is greatly impeded by war damage and deterioration from which they have not yet recovered. To give a few examples, in 54 cases out of 100, Tokyo telephone subscribers had to give up using the telephone either due to live busy (36 cases) or to the mechanical failure to get contact caused by poor equipment and hazards (18 cases). In case of certain subscribers the rate is as high as 80 percent. As for long-distance telephone calls 25 percent of applications are being canceled seemingly on account of the telephone being out of order, despite undoubted will to use it on the part of the applicants. In prewar days the cancellation amounted only to about nine percent. Telegraph communication between Tokyo and Osaka stations used to take 18 minutes in 1937, while in May 1946 it took two hours and 26 minutes and in May 1947 one hour and 40 minutes. Many efforts have been made to rehabilitate the communication equipment since the termination of war. For 1948 and onward an arrangement has been made by which a new subscriber is to buy a telephone bond, thus contributing to the expenditure necessary for construction, and it seems that general recovery will be much expedited. It will take, however, a considerable length of time to bring about the normal situation that existed before the war.

Foreign Trade Returns

"Thanks to the assistance of the Allied authorities and the efforts of our Government and private circles concerned, coupled with the improvement in internal organization through the establishment of the Trade Public Corporation, etc., and the reopening of civilian trade, Japan's foreign trade for last year showed a sizable increase over previous years. Imports and exports during January-December 1947 amounted in value respectively to \$ 526,000,000 and \$ 174,000,000. These figures, as compared with the total import trade of \$ 300,000,000 and the total export trade of \$ 120,000,000 from the war's end to the end of 1946, signify increases of 80 percent in imports and of 50 percent in exports. Based on the 1930-34 average figures (computed according to price indexes) they constitute only 30 percent for imports and 10 percent for exports, indicating an extremely low level of our present trade in comparison with prewar years. Moreover, the unfavorable balance of trade for last year stood at \$ 352,000,000 which, with the \$ 180,000,000 import excess up to the end of 1946, added up to \$ 530,000,000. These adverse trade balances have been made good by the United States from its fund for relief in occupied areas.

"Let us examine in more detail our foreign trade since the war's end, beginning with imports.

IMPORTS

Commodity	End of War to End of 1946		1947	
	Amount	Percent of Total Value	Amount	Percent of Total Value
Food	863,091 tons	56.6	2,018,515 tons	48.3
Petroleum	433,654 kiloliters	7.4	1,178,264 kiloliters	16.8
	100 tons		2,802 tons	
Fertilizer	242,333 tons	4.1	1,437,958 tons	9.3
Salt	285,839 tons	3.2	824,459 tons	3.2
Cotton	702,710 bales	24.8	605,952 bales	12.9
Machinery, trucks and trailers, others	2,600	2.6	16,001	2.3
Medical supplies	-	-	-	1.9
Crude rubber	-	-	15,858 tons	0.9
Industrial chemicals	-	0.2	7,401,360 pounds _{a/}	0.8
Oils (coconut oil, cottonseed oil, copra, tung oil, etc.)	-	-	20,239 tons	0.7
Metals and mining products				
Pig iron	1,950 tons	} 0.3	7,849 tons	} 0.5
Coking coal	-		17,328 tons	
Others	12,228 tons		52,853 tons	
Others	-	0.8	-	1.9

_{a/} Benzene.

"The above table shows how the imports during 1947 increased both in volume and variety over those up to the end of 1946. In order to study the character of the import trade the imported commodities may be grouped under the following three categories.

- (1) Commodities indispensable for combating hunger and disease and for the maintenance of a minimum living standard. This category includes food, fertilizers all of medical supplies, most of oils, some 30 percent of petroleum (heavy oil for fishing craft and for agriculture and aquatic industries) and 70 percent of salt (dietary). The percentage of these commodities against the total amount of imports was 68.2 percent in 1947 and 69.5 percent up to the end

of 1946, demonstrating the fact that the "imports for existence" aspect has continued to characterize our trade to date since the end of the war. In comparison with the prewar import composition in which industrial raw materials constituted as much as 50 to 60 percent, the present import trade reveals a radical change in character. On the other hand, it is this trade which has enabled us to ward off starvation and disease.

- (2) Commodities for industrial use. The group consists of 70 percent of petroleum (heavy oil for steel manufacture and other industrial purposes); 30 percent of salt (industrial purpose); machinery; 17,328 tons of coking coal; 7,849 tons of pig iron; benzene, etc., which altogether take up 16 percent of the total imports (4.9 percent up to the end of 1946). Though a slight increase in both percentage and variety is to be noted over the preceding year, these imports represent but a fraction of the demand of Japanese economy.
- (3) Raw materials for export industries. The principal item is cotton, which constitutes a large percentage, 12.9 percent, of the total imports. But it fell off in volume and percentage as compared with the preceding period up to the end of 1946, so that with the other items such as wool, hemp, crude rubber, pulp, kaolin, etc., all put together, this category amounts to no more than 15 percent of total imports, falling far below the 25 percent for the preceding period. This fact is an indication that our pattern of processing trade had not yet been worked out satisfactorily up to last year.

"From the table shown on the following page it may be seen that the export trade is unlike the import trade being restored, though still small in quantity, to the prewar form in its commodity composition.

"As regards fiber goods, they occupy more than one half of the total exports for 1947. As compared with the previous period the export of raw silk declined, while the major portion of exported fiber goods consisted of cotton fabrics. Cotton for cotton fabrics was supplied by the United States and paid for from the export income of the processed articles. Some 80 percent of the imported cotton was applied to the manufacture of export goods and all sales had to be made in dollars. This arrangement handicapped considerably the export of our cotton goods to East Asia, our principal market, owing to the dollar shortage in that area. The monthly export reached only one half the amount of the production for export so that in December last year surplus stocks had accumulated to the amount of 300,000,000 yards in cotton fabrics and 10,000,000 pounds in cotton yarn.

"The export of agricultural and aquatic products, miscellaneous articles and machinery, which increased in variety and volume, is being gradually restored. On the other hand, because of our lack of iron, steel and coal we have more orders on hand than we can fill for machinery, for which there is a great demand everywhere. One characteristic of our postwar trade is that we have been exporting vital commodities that are scarce within our own country. Up to the end of 1946 we exported lead, tin, coal, lumber, crude rubber and other items. Likewise, during last year we shipped coal to Hongkong; lumber such as pit props and railroad

EXPORTS

Commodity	End of War to End of 1946		1947	
	Amount	Percent of Total Value	Amount	Percent of Total Value
Textiles		41.5		55.5
Raw silk	86,376 bales	35.0	17,093 bales	7.7
Cotton yarn	-	-	24,282,000 pounds	-
Cotton fabrics	-	-	399,211,927 yards	34.7
Others	-	6.5	-	13.1
Metals and minerals		18.6		2.1
Lead	15,006 tons	-	-	-
Tin	9,958 tons	-	-	-
Antimony, zinc, electrolytic copper, mercury, etc.	-	-	-	-
Agricultural and fishery products		12.3		9.9
Tea	7,754,765 pounds	-	7,779,987 pounds	-
Agar-agar	186,435 pounds	-	722,000 pounds	-
Dried scallops	-	-	1,554 piculs	-
Coal	760,421 tons	11.7	810,835 tons	7.6
Machinery and parts, (locomotives, communications appliances and parts, rolling stock and parts, others)	-	8.2	-	6.0
Lumber		4.8		5.6
Pit props, etc.	568,906 koku <u>a/</u>	-	975,054 koku <u>a/</u>	-
Chemicals		1.3		2.7
Fertilizers	-	-	112,512, tons	-
Crude rubber and others	10,001 tons	-	-	-
Medicines	-	-	-	0.9
Miscellaneous articles	-	1.2	-	9.2

a/ One koku equals 120 board feet.

ties to China and Korea; fertilizers to Okinawa and Korea. However, the ratio of these exports to the total volume of exports is showing a downward trend.

¹¹The following table gives the percentages of Japan's trade in various areas.

Area	Percent			
	End of War to End of 1946		1947	
	Imports	Exports	Imports	Exports
United States	95.6	63.4	88.3	16.5
East Asia	3.5	34.8	8.6	66.8
Other areas	0.9	1.8	3.1	16.7

¹²In imports the American percentage continued to be overwhelmingly large, but with the expansion of our export trade with the Netherlands East Indies, etc., East Asia came to take up a major portion of the exports last year with a corresponding decrease in the American percentage, which indicates that our foreign trade is reverting to its original position with its center in East Asia. Exports to Africa and European countries are also on the increase. But it should be noted that because of the predominance of the United States in our import trade the more our export trade expands in nondollar areas the greater will grow our dollar import excess.

"The barter trade which has been inaugurated since last year is significant as a measure for coping with the perplexing currency problem. In September last year the first contract under the system was concluded with the Soviet Union for importation of coking coal, semicokes and graphite in exchange for wooden craft. In January this year another contract was made with an American firm to import coking coal in return for which we are to export sheet iron and galvanized iron sheet. It is anticipated that many similar deals will be concluded with other countries for importing iron ore or coal in exchange for machinery and other manufactured articles. In fact, negotiations along these lines are actually in progress with India and West European countries.

"Civilian trade was opened in September last year with the permission of foreign trade representatives to visit Japan. Only a small amount of business contracts, totaling \$ 19,000,000, was negotiated up to the end of last year. Americans were the principal buyers, being responsible for 80 percent of all the purchase contracts. The poor showing was due to the difficulties relating to price as well as to the fact that only a very small number of buyers from the East Asiatic countries came. Since then, as the result of the extension of civilian trade to raw silk, this trade began to pick up visibly after February, the volume of trade since then amounting to 60 percent of the entire civilian trade between September last year and the end of January this year. Furthermore the March figure for this civilian trade amounted to 40 percent over that of February and comprised about 35 percent of total exports. Thus exports from 1 January to 15 April this year amounted to \$ 27,000,000 and to \$ 46,000,000 since the end of the war. Among the commodities involved textiles ranked first, followed by general merchandise, machinery and metals, agricultural and aquatic products, and chemicals in that order.

Prospects for Foreign Trade

"Japan's export trade in 1947, though it showed some advance as compared with that of the preceding year, still remained in volume about one third of her import trade. The failure of exports to make a further advance was due, in the case of machinery and metals, to the short supply of necessary materials at home in spite of the acute demand abroad, and in the case of textile goods and general merchandise, to the insufficient import of raw materials as well as the lack of a market abroad. Nor should the lack of ease in operation of trade finances be overlooked. In view of the importance of export trade, the various measures for materials, power supply funds, etc., must be more forcefully executed this year. As the import of raw cotton and other raw materials for articles for export bids fair to be further promoted, a great deal may be expected from manufacturing such materials for re-export to develop our export trade. Moreover, as various restrictions on commerce will be gradually mitigated and our traders permitted to travel abroad, it may be hoped that the realization of such things will make commercial transactions easier and go a long way toward promoting the marketing of Japanese commodities abroad. However, the shortage of dollar funds in the sterling and other nondollar areas and the difficulty of converting the currencies of such areas into dollar currency are likely to continue as the world's common basic problem for some time to come and, accordingly, the settlement of international accounts will remain as a bottleneck in the development of export trade. A fundamental solution of these problems must be sought in the establishment of international agreements for settlement of accounts and other measures of worldwide scale, but, on the part of our country, it is necessary to cope with the situation by concluding clearing agreements with other countries respectively or by expanding barter trading through the good offices of SCAP.

"In connection with these problems an agreement was established recently which enabled half of the payment for Japanese cotton exports to be in pounds convertible to other currencies or in any acceptable commodities, although the other half should be paid in United States dollars. This agreement can be considered as advancing a step toward solution of a clearing problem, and the export of cotton products will be promoted considerably by it.

"With regard to the prospects in import trade, the shortage of import funds and the tight condition of overseas demand and supply have made in the past a great bottleneck for the conduct of import business but, judging from the general situation at home and abroad, prospects would seem considerably brighter this year than in 1947. A loan of \$ 60,000,000 for the import of raw cotton is likely to be realized in the near future, and the establishment of an additional revolving credit for general raw material import is in prospect. Under such circumstances, the import of raw cotton, wool, hemp and other raw materials or articles for export can be expected to be conducted quite briskly. For the import of foodstuffs and other materials indispensable for assuring the minimum level of life, the aid of the United States must be requested this year also, even more than in 1947 and to meet this necessity a considerable amount of relief expenditure for Japan is said to be under contemplation in the United States as in 1947. Furthermore, it is reported that a credit for import of materials necessary for the general rehabilitation of Japan's economy has been submitted to the United States Congress for deliberation. In addition to all these things the import of 15,000 tons of iron ore from Hainan Island, South China, and 64,000 tons of coking coal for steel manufacturing from North America and China was effected last January and February and such imports can be counted on in the future as well, which is a matter particularly encouraging to us. Furthermore, as a party of private investors is expected to visit this country soon we can hope for the promotion of the import of materials by private investment.

"The increase of aid by the investment of foreign capital in various lines and the development of import and export trade, etc., as mentioned above, will serve, it may be hoped, to make closer the contact between international economy and that of Japan and, on the part of this country, it is necessary to complete her preparation for participation in international economy. Particularly the effectuation of a solution of the foreign exchange problem, though expected to be accompanied by no small difficulty under our economic conditions of today, is desirable in due course of time. As a matter of fact, since the economy of our country has been isolated from international economy for many years, the commodity price system at home is found to be extremely uneven when compared with the international price system. It will be necessary, therefore, to adjust the unbalanced condition of the price system and put a provisionally revised price system in operation before the exchange or conversion rate can be established but, for the ultimate establishment of a regular exchange rate, all efforts must be made in the meantime. By way of preparation for that, all future revisions of commodity prices should be made with a view to diminishing the difference between the domestic and international price systems, which is a problem related also, at the bottom, to the control of inflation and the rationalization of enterprises.

Trend of Inflation

"The term "price" is at present being used in three different ways: (1) official price, (2) black-market price and

(3) effective price. The effective price is, as has been explained in detail in the Economic Report published last year, not the price at which any transaction is actually made but the price arrived at by weighting both the official and black-market prices. To illustrate, six sho of rice is bought by a certain household in a certain period, five sho being rationed at the official price of 20 yen a sho and one sho bought on the black market at 200 yen; in total six sho is bought for 300 yen and therefore the effective price for the rice is 50 yen per sho. Naturally an effective price draws near to official price when more percentage is rationed through legitimate channels while it goes nearer to the black-market price when less is supplied by rationing. In order to measure the effect of price fluctuation on the household the effective price is therefore the most adequate of the three kinds of prices.

"The three kinds of prices for consumers' goods in Tokyo are compared in the following table:

	Bank of Japan Tokyo Retail Price Index (Official Price) (July 1914 = 100)		Price Board Tokyo Unrationed Price Index (Black-market Price) (8 Feb 1946 = 100)		Bureau of Statistics Tokyo Consumer Price Index (Effective Price) (Average Aug 46 - Mar 47 = 100)	
		Percent Gain Over Pre- ceding Month		Percent Gain Over Pre- ceding Month		Percent Gain Over Pre- ceding Month
1946						
Oct	3,855	-	94.2	-	84.3	-
Nov	4,017	4	96.3	2	87.9	4
Dec	4,352	8	111.5	16	101.0	15
1947						
Jan	4,516	4	132.5	19	118.4	17
Feb	4,566	1	159.2	20	131.2	11
Mar	4,792	5	184.4	16	138.8	6
Apr	5,344	12	215.1	17	140.6	1
May	5,586	5	225.9	5	173.6	23
Jun	5,666	1	244.6	8	205.6	18
Jul	6,849	21	272.8	12	242.5	18
Aug	7,623	11	288.9	6	229.3	-5
Sep	8,770	15	298.3	3	254.0	11
Oct	11,671	33	326.3	9	263.8	4
Nov	13,601	17	342.4	5	268.1	2
Dec	14,553	7	360.2	5	290.3	8
1948						
Jan	14,924	3	381.0	6	295.0	2
Feb	15,575	4	398.9	5	298.3	1
Mar	16,210	4	412.2	3	311.5	4

"As the above three kinds of indexes are not compiled by the same method, it is not quite easy to make an exact study of them. But at least the following facts are discernible: three indexes show very different movements after June as compared with the preceding period; until June the black-market price rose faster than the official price while after June the relative rate is reversed. We now see that the general conception that a 100-percent increase of official price is immediately followed by the same percentage rise in black-market price is not warranted. As a matter of fact, a sharp rise in official prices has slowed down the upward trend of black-market prices. This relative tendency remained more or less unchanged through the end of the calendar year and is still continuing. Black-market retail prices in Tokyo rose only 16 percent from November to February as compared with 65 percent for the corresponding period twelve months ago. Has this moderate change in black-market prices not been offset by the relatively big increase in official prices in so far as the household expenses are concerned? The question can only be answered by analyzing the movement of the effective price indexes in the table.

"The effective price following the black-market price soared from the end of 1946 to March or April 1947 when it hesitated for awhile, thanks to releases of imported food. Then it went up much faster than the other two prices and after August slowed down again. This movement shows that we depended more and more on the black market every month until June, with the exception of March and April, while after August we bought less black-market goods. In August imported food was released, followed by the new crop of rice, and it is believed that such seasonal events account largely for the above fact. A further slowdown in the movement of effective prices took place after the beginning of this calendar year because the distribution of fish and vegetables was considerably improved.

"How about the prices of capital goods? Their average official price rose by 150 percent at the end of last year from June 1947. Their black-market price rise started to slow down after September and in this respect too they followed the example set by consumers' goods; until August they kept on rising roughly at the rate of more than 10 percent a month (in May as much as 17 percent) while after September it was reduced to four to five percent a month and both in November and December rose by only two percent. Thus between last November and February only 12 percent appreciation took place as compared with the 53 percent in the corresponding period one year ago.

"What is the present level of prices as compared with that in prewar days? There are some theoretical difficulties in comparing the two price levels, but roughly speaking, taking 1937 as the basic year, Tokyo indexes at the end of last year show, in the case of consumers' goods, official 84 times as much, black market 360 times, and effective 200 times, and in the case of capital goods, official 70 times and black market 370 times as much.

Currency Situation

"In 1946 Bank of Japan note issue increased roughly at the rate of ¥ 7,000,000,000 per month while, after the beginning of 1947, the rate of increase fell; ¥ 20,500,000,000 from April to June and ¥ 20,100,000,000 from July to September being those increases respectively. During the last quarter, however, reflecting the revision of price level, monthly increases exceeded ¥ 10,000,000,000 and in December more than ¥ 40,000,000,000 was added, bringing the outstanding balance of issues at the end of the month to ¥ 219,100,000,000. This December increase is due to the voluminous payment made out of the public financial fund and also those made in seasonal settlement at the end of the year. With the start of the year 1948, due to the success of collection of taxes and the suppression of payment from the public fund; January and February have showed decreases of ¥ 1,100,000,000 and ¥ 2,700,000,000 respectively, and in March the rate issue increased only ¥ 3,400,000,000 despite the fact that it was the last month of settlement in the fiscal year. Compared with the corresponding period a year ago when the increase was ¥ 22,300,000,000, January-March this year showed a reduction of ¥ 400,000,000, which shows how the general situation of currency has been improved. The total increase of note issue during the 1947 fiscal year was ¥ 103,000,000,000 and at the end of March the outstanding balance was ¥ 218,700,000,000.

"The increase in note issue is caused by the fact that the money saved and deposited is not enough to meet the demand for funds by public finance and industry. The tripartite relationship in the last fiscal year can be illustrated as follows:

	Billions of Yen	Percent
Payment in excess of amount in national treasury	64.8	28
Increase in industrial fund	<u>167.5</u>	<u>72</u>
Total	232.3	100

Against this total the net increase in deposits, that is to say, the increase in the free yen deposit account minus the amount of decrease in the first blocked account, was ¥ 125,500,000,000 and the balance of about ¥ 100,000,000,000 corresponds to the increase of note issue during the year shown above. Bulk of the deposit fund turned in to the banking institutions was used for industrial purposes and only a small part went into government expenditures, so that more than half of the additional issue of ¥ 103,000,000,000 is due to the government payment made in excess of revenue.

*Relations of these figures and their monthly trend is shown below (figures include estimates):

	Billions of Yen												Total
	1947						1948						
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
National treasury excess payment <u>a/</u>	20 <u>b/</u>	47	19	67	84	63	93	85	449	57	270 <u>b/</u>	26 <u>b/</u>	648
Industrial fund increase <u>c/</u>	53	60	117	66	115	151	157	155	284	152	176	189	1,675
Net deposit increase <u>d/</u>	-40	32	90	67	112	151	89	138	397	59	6	154	1,255
Fund deficit	73	75	46	66	87	63	161	102	336	150	100 <u>e/</u>	9	1,062
Note issue increase	67	73	66	74	69	57	112	105	410	-11	-27	35	1,030

a/ Denotes excess payment over income of the net treasury fund, with necessary adjustment in connection with postal savings, etc., being made to gross payment and income of the treasury.

b/ Excess income.

c/ Includes loans to local public bodies.

d/ Indicates increase of general free yen deposit minus amounts withdrawn from the first blocked account with adjustment being made in connection with the transfer from the second blocked account to the first one.

e/ Fund surplus.

Balance of Government Finance

*Because of slow progress in revenue collection up to the end of last year, the General Account for the 1947 fiscal year had been in an extremely unbalanced position. But since the beginning of this year the situation changed for the better. While as of the end of March expenditures amounted to ¥ 164,000,000,000 or 75 percent of the estimated total for the year, revenues also climbed to an amount nearly equal to expenditures. If such cash receipts as government monopoly profits and other items of similar nature are included, it is considered that an approximate balance between revenues and expenditures in government finance has been attained for the entire fiscal year. This may be partly due to the fact that a considerable amount of actual expenditures were carried over to the following fiscal year. But the efforts to ensure that revenues minimizing excess payment by the Government also be taken into full account contributed in no small measure to arresting the progress of mounting inflation. In spite of this success in attaining a seeming balance in government finance, there are still numerous knotty questions to be solved before a really sound state finance can be realized at all.

"As regards tax revenues, the delay in the tax collection should first be pointed out. Until the end of last year, the record of collection had been far from satisfactory. The tax revenue had amounted to ¥ 46,500,000,000 only, or 35 percent of the estimated total for the fiscal year. This gave rise to a serious disparity between the current payments and receipts of the Government, necessitating issuance of the treasury notes which reached ¥ 34,000,000,000 and placed the national treasury in a most precarious position. Since the turn of the year, however, the so-called pay-tax campaign was made an issue in earnest, and as a result the tax collection, including stamp revenues, totaled ¥ 16,800,000,000 in January, ¥ 31,600,000,000 in February and ¥ 29,900,000,000 in March, making a total of ¥ 124,900,000,000 as of the end of March compared with ¥ 135,400,000,000, the estimated total for the fiscal year. The collection of the full amount by the end of April when payments and receipts during the preceding fiscal year have to be finally balanced, now came within the range of possibility. Though the state of affairs has improved as mentioned above, it is obviously necessary to establish a system to collect taxes evenly throughout the year in order that a time discrepancy between payment and receipt such as has been experienced may not take place again. The question is not only that of ensuring higher efficiency in the collection of taxes, but also that of re-examining the system of taxation as a whole.

"Secondly, the growing inequity particularly in the incidence of income taxes comes into question. Inflation has brought about a highly anomalous situation in distribution of national income. In prewar times the earned income accounted for 40 percent and entrepreneur income slightly over 30 percent of the total national income. But the recent change has reduced the former to below 30 percent while the latter rose to more than 60 percent. This change may be all the more significant if account is taken of the fact that the exact amount of earned income is easily ascertainable through employment of the method of withholding taxes at the source of income, while the assessment of entrepreneur income is fraught with numerous difficulties. It is assumed that a considerable difference exists between the actual and assessed incomes of entrepreneurs. To add to this, the inequity between these two groups is emphasized still more by the difference in the rates of actual collection of taxes. As of the end of March this year, the amount of taxes on earned incomes collected at their sources represented 131 percent of the estimated total, but the amount paid as entrepreneur tax, based on the assessment report filed by the payer, accounted only for 78 percent of a similar total for the year. The above discrepancy is being narrowed with progress of tax collection, but it is undeniable that the current system weighs relatively more heavily on the wage or salary earners than on entrepreneurs. Thirdly, the burden of taxes in general has now become heavier than before, with the scope of taxation extended to include even groups of considerably low incomes. In the case of income tax, for instance, a wage earner having three dependents with a monthly income of ¥ 1,350 or more or an entrepreneur with a monthly income of ¥ 1,000 or more is liable to taxes, with the result that almost all household heads of the nation are now taxpayers. The percentage which the number of income tax payers formed of the total population was 1.6 percent in 1937 but has now risen to 25.6 percent. Certainly this may be inevitable to a certain extent for maintaining a financial balance in consideration of the generally impoverished condition of the nation's economy and the large amount of state expenditure needed every year since the war's end. But in the light of recent developments in the relations of commodity prices, wages and family expenditures, it is essential for the sake of sound finance that the system of taxation be rationalized and steps for such revision are now being taken. As an immediate measure for securing fiscal revenue the organization for tax

collection should be strengthened with a view of ensuring tax revenue and of making fair and equitable distribution of the tax burden. For the ensuring of tax revenues, black-market profits should be uncovered and taxed in defiance of all difficulties. In order to attain this objective preparations are now being made such as an increase in the number of taxation offices and personnel as well as improvement in conditions of employment.

"Revenues from monopoly profits are estimated at ¥ 51,200,000,000 for the fiscal year 1947. This is slightly less than seven times the amount estimated for 1946. To derive this amount as profit, ¥ 56,200,000,000 worth of cigarettes and tobacco have to be sold. As a matter of fact, the amount actually sold has fallen far short of the estimates. As of the end of February, sales amounted to only ¥ 31,300,000,000, accounting for 55 percent of the plan. Deficiency at the end of March is estimated to exceed ¥ 10,000,000,000, even if the amount still to be collected from retailers is added.

"Expenditures will be examined next. The total amount of expenditures included in the budget up to the end of the fiscal year was ¥ 214,300,000,000. Nominally this is 87 percent over the originally authorized sum. But if, converted by price index, the real value of this amount is examined in terms of what was originally contemplated, though exact calculation is not possible, the amount may be considered to form only about 70 percent of the originally intended undertakings. Besides, a considerable proportion of the total amount is represented by postwar disposition expenses and other similar items, covering work which cannot be reduced or dispensed with on account of price rise. Therefore, other expenses may be considered as having undergone a drastic cut. Classifying the estimated expenses by the object for which they were appropriated, the postwar expenses and reparations equipments expenses represent 32 percent; the price adjustment expenses and other similar items, 21 percent, subsidies to local governments, 10 percent. The remainder, accounting for only 37 percent, is distributed among public works, health and sanitation, social relief and labor facilities, education and other cultural activities, agrarian reform, measures for repatriates and countless other activities of the Government. It may easily be seen already from these two points why, despite prodigious figures, the state finance of this country cannot but lack adequate provisions for promotion of productivity and social welfare. In these circumstances, there can be only two methods of managing state finance effectively. The first is to employ a thoroughgoing priority system in allocating government expenditures and, in particular, to readjust and simplify the administrative organizations. With this end in view, studies are already being made to carry out a reform. The second is to establish a strict auditing system and to enforce observance of official prices, thus to save the estimated appropriations. For this purpose laws relative to exceptions of government contract, and for prevention of claims for payments lodged with the Government through illegitimate means were put in operation and are already producing considerable improvement.

"In regard to Special Accounts, the net increase in borrowings and bonds during the twelve months from April last year to March this year amounted to ¥ 66,500,000,000, of which ¥ 58,400,000,000 was underwritten by the Bank of Japan. This increase formed the main factor which caused excess of payment in government finance. Of the funds released by the Government on Special Accounts, the ¥ 33,700,000,000 on the Foodstuffs Control Account was necessitated by the increased deliveries of rice as well as the advance in the price thereof. In the Railways and

Communications Accounts, railway and postal rates are maintained respectively at only about 22 and 23 times prewar levels lest further increases in these rates should affect the general price level. But because of large increases in operating costs both of these accounts suffer heavy deficits. In the profit and loss account alone the deficit in the Railways Account was ¥ 16,900,000,000 and in the Communications Account ¥ 6,700,000,000. These deficits have been met by transferring ¥ 9,700,000,000 and ¥ 4,800,000,000 respectively from the General Account and borrowing to balance the remainder. As these government-operated undertakings make a serious inroad into the already slender resources of the General Account in this manner and constitute main reasons for excess of payment in the government finance, it is strongly demanded that these enterprises be rationalized and placed on a more businesslike basis as a prerequisite for sound state finance.

"Lastly, some observations may be made on local government finance. Reflecting the stringent conditions of national finance, most of the local governments are reduced to an extremely impoverished state and a loan economy. While exact figures are not available, total estimates of local government expenditure for the fiscal year 1947 is presumed to have been in the neighborhood of ¥ 90,000,000,000. Of the sources of revenue, government apportionment of the local apportionment tax, national and local payment and public loans floated with the approval of the state represent 70 percent of the total. The independent resources accounting for the remaining 30 percent also lack necessary flexibility so that, in case of need, the only resource the local governments can rely upon is aid from the state. Recently attention was called to local governments' needs in a situation like this and the coordination of state and local finances, as well as the establishment of local financial autonomy through improvement in the local financial systems themselves, form one of the most important current questions. The Local Government Finance Commission is now studying necessary measures for the realization of independence of local government finance, which is the backbone of local administrative autonomy.

Recent Condition of Industrial Enterprise Finance and Savings Accounts

"As may be seen in the statistics given above, the financial needs of industrial enterprises continued swelling month after month, and have exceeded ¥ 10,000,000,000 per month since August 1947, partly due to the influence exerted thereon by the revision of commodity prices. The increase of such financing has been still further accelerated of late by the decided rise in amount of finance funds, and the amount of industrial finance during the last fiscal year increased by ¥ 167,500,000,000. Theoretically the amount of funds required for industrial enterprises should be in keeping with production activity and, under productive conditions like those of the present day, it might be expected that new industrial investments of big amounts would be unnecessary, but the fact is to the contrary. The price rise causes a deficiency of operating funds even for the continuance of production to the same extent as before and, in regard to equipment funds also, previously estimated amounts become short of the actual requirements. Another important reason that increased funds are needed is deficit financing. In the case of a majority of enterprises, as their operation rate is very much lower than that before the war, their management is substantially unsound, and their business stayed in the red during the first half of last year. By the price revision in July the official prices were raised so that both ends might meet at the existing operation rate but the

relief was only temporary. Due to the subsequent rise of wages, the lowering of operation rate beyond expectation and other circumstances, businesses again went into the red to a considerable extent.

"An analysis of financing as regards lenders reveals the noticeable fact that, of the total ¥ 167,500,000,000, the sum of the increase of accommodations during the last fiscal year, ¥ 53,500,000,000 or 32 percent of the total was financed by the Reconstruction Finance Bank. The RFB was originally intended to cater to those who could not easily obtain loans from general financial institutions and advance necessary funds for the reconstruction of Japanese economy, but at present, as key industries are in most cases financially unsound, they are generally dependent on the RFB. Of the total amount of ¥ 35,300,000,000 advanced to general industrial enterprises (excluding "kodan" or public corporations) in the fiscal year 1947, 53 percent went to the coal industry alone and, if fertilizer and steel manufacturing industries be added thereto, the advance to those three industries would absorb more than 60 percent of the total.

"On examination of the purposes for which such advances were employed it will be found that approximately 60 percent was assigned for equipment funds and about 40 percent for operation funds. The advances for the latter purpose are presumed, to a considerable extent, to belong to deficit finances, and the nature of such advances can by no means be regarded as sound. Nevertheless, under the existing circumstances, those advances cannot but be deemed unavoidable because the industries concerned are key industries whose operation must not be discontinued.

"Again, with the increase of "kodan" (public corporations) recently established, advances to them have made rapid increases, now consisting of 34 percent of the total loans of the RFB and making difficult the smooth operation of the bank's fund. Advances for "kodan" are largely intended for operation funds, which are by nature to be supplied by general financial institutions, but under the present system the advance of such funds is made solely by the RFB. However, with a view to rectifying such tendencies, the "Kodan" Attested Bill system has recently been instituted, and the requirements of "kodan" have come to be referred to general banking as far as possible. The burden of the RFB in this connection will therefore be alleviated in the future.

"Further, because advances by the RFB for the most part, as stated below, cause an increased issuance of currency, it will be necessary to restrict as far as possible financing by the RFB and, with this point in view, establishment of a special committee to audit such financing is now intended.

"With regard to general financial institutions it is prescribed by the Finance Regulations that loans be granted in the order of priority of the enterprises, which are classified into four categories, namely, A-1, A-2, B and C as stipulated in the Industrial Funds Priority Table. The result is, on the whole, as expected. A survey of the business of banks throughout the country shows that of the total loans made in the period March 1947 to January 1948 those for A-1 take up 16 percent, for A-2 60 percent, for B 22 percent and for C two percent; A-1 and A-2 together comprise 76 percent of the total. Nevertheless, as the accommodations for B and C represent 24 percent, there will be a necessity for enforcing controls still further.

"How, then, are financial organs managing their necessary funds? To begin with, the RFB, which advanced the large amount of ¥ 59,500,000,000 in the period from its establishment to the end of March last, had only ¥ 7,000,000,000 subscribed by the Government and raised the rest of its capital by the issuance of Reconstruction Finance Bonds, which amounted to ¥ 58,900,000,000. The sales of the bonds on the general market proved unsuccessful, only ¥ 13,000,000,000 (22 percent) being sold. The heavy balance of ¥ 45,900,000,000 (78 percent) was shouldered by the Bank of Japan, thus causing an increased issuance of currency.

"On the part of general financial institutions, too, their funds expended--their advances for industrial enterprises and their investments in national and local bonds, Reconstruction Finance Bonds, etc.--are in excess of the funds ready at their disposal in the form of deposit and savings accounts, the deficiency being covered by loans from the Bank of Japan. An investigation into the bank business of this country shows that, as against the increase of ¥ 87,200,000,000 in available funds in the period of April 1947 to March 1948, advances scored an increase of ¥ 75,800,000,000 and investments in bonds an increase of ¥ 24,500,000,000, in all showing a deficit of ¥ 13,100,000,000. This, of course, is a cause of the increase of currency issuance and therefore it is important to encourage more savings and restrain advances except for indispensable or pressing needs.

"As regards savings, the increase of general free deposits in the last fiscal year was noteworthy, thanks to the all-out patriotic savings campaign, such deposits amounting to more than ¥ 10,000,000,000 per month from June 1947 (against the previous average of less than ¥ 10,000,000,000), and particularly in December, partly due to special conditions at the year's end, the amount jumping to ¥ 42,800,000,000. Since the beginning of the current year, deposits have been unfavorably affected to a considerable degree by the intensified collection of taxes, the Government's restricted payments, etc.; nevertheless, the increase of deposits throughout the last fiscal year amounted to ¥ 195,000,000,000. However, of the total fund released in the forms of financial, industrial and other funds, only about 70 percent has come back in the form of free deposits, the balance being still in circulation. Moreover, as the first blocked deposit account has been on the decline month after month, the net increase of general free deposits, after deducting such decrease of blocked accounts, comes to ¥ 125,500,000,000 for the 1947 fiscal year and would not suffice even for industrial financing requirements alone.

"Furthermore, as mentioned in the Economic Report of last year, the stability of these deposits is important. Taking the bank deposits throughout the country as a whole, the stability of deposits declined sharply after the surrender. The percentage of time deposits against total deposits recovered from 13 percent in March 1946 to 21 percent at the end of 1947 but it is still far below the percentage of the normal which was over 50 percent. The condition of savings accounts, although steadily improving of late both in quantity and quality, can by no means be considered satisfactory as yet. This is not only because Japan's economy is now compelled to stand on the basis of inflation which substantially makes savings difficult, but also because the hoarding of unnecessarily large sums of cash is made among special social strata, such as "new-yen rich," etc. With a view to the existence of such a class it is a matter of urgent importance to develop a forceful savings campaign.

Recent Conditions of Enterprises

"Due to insufficient accumulation of funds through savings as explained above and also to loss of credit on the part of enterprises through increasing deficits and debts, enterprises are seriously suffering from the shortage of money. The shortage of money had gradually become conspicuous with the development of inflation, and the new price level should have overcome the shortage at large by enabling enterprises to make both ends meet. The new price level, however, could not succeed, for various reasons, in expected results of balancing the accounts of some enterprises.

"The first reason for the appearance of deficits in enterprises was the unexpected decrease in operational activities. Mainly due to the abnormal short supply of electricity during last autumn and winter and also due to the failure of even importation of raw materials, the actual operational activities of enterprises remained considerably less than that programmed at the time of price revision, with consequent rise of production cost. The second reason was that wages maintained an upward trend. The wage level of enterprises in general recorded an upward curve month by month without an accompanying production increase. The average wage of nationwide factory workers in January this year was approximately 1.6 times that in July last year. Third reason was that no remarkable progress was effected upon distribution order. The quantity of materials put into legitimate channels probably increased as a result of the great price rises. However, as the distribution order was not sufficiently established, a considerable part of the materials required had to be purchased through the black market. It should be reflected that this is due largely to the lack of skill and inefficiency of government officials concerned. According to the report on the administrative inspection conducted by the Economic Stabilization Board on certain materials, the government offices concerned were found busily occupied mainly with such procedural business as issuing of allocation certificates, having little time to make a fundamental and scientific study to improve the present allocation system. The report pointed out, further, that defects existed in filing of fundamental statistics for fixing allocations to individual enterprises, in guiding allocation certificates flowing back and in collecting reports of actual results of production. Furthermore, as it took three months to complete revision of the price level, the movement of products was obstructed with the result that enterprises had to purchase materials extensively from black markets. The shortage of funds in enterprises due to the aforementioned causes was accentuated by the increasing need of working funds resulting from the progress of inflation, the increase of credit sales, the delayed payments by the Government, etc. Shortages of funds compel some enterprises to sell their hoarded goods and to increase their supply on the market but, as the shortages become acute business activities are lowered and the loss per unit of product is increased. Enterprises manage to patch up losses for the moment by selling their products on black markets. It will, however, enlarge the sphere of the black market in the national economy and will not fundamentally solve the problem imposed upon enterprises.

"Inasmuch as the current tightness of money has been brought about by inflation, the reckless creation of credit through loosening of financial control will undoubtedly lead to the acceleration of eventual inflation and to the still tighter condition of money in the following stage. By raising the valuation of assets, inflation has so far saved many enterprises which

otherwise would have gone bankrupt after the surrender. It is noteworthy, however, that since last year the same inflation is becoming an unavoidable and serious obstacle for the management of enterprises.

"The greatest cause of the present difficulties besetting enterprises is often said to be "overemployment." The productivity of labor has, as a matter of fact, shown a remarkable decrease compared with that before the war. The per head productivity in mining and manufacturing industries during October 1947 was only 28 percent and 33 percent respectively of the average standard of 1935-37. It is true that there are some enterprisers who are faced with the problem of overemployment.

"However, the fact that the present labor productivity is 30 percent of that before the war will not directly lead to the conclusion that 70 percent of the present employment is overemployment, if the elements mentioned below are taken into consideration.

- (1) It is impossible to cut down employment in proportion to the reduction of production, not only in auxiliary groups and factory management groups but also in manufacturing groups.
- (2) On the contrary the volume of work relating to statistics and research required by government offices, to labor and welfare, and also to accounting has been increasing in factory management since the end of the war.
- (3) It has become necessary to utilize manpower in repairing the wear and tear of capital assets suffered during and after the war and in carrying out a part of the functions which were performed by capital assets. Furthermore the deterioration in quality of raw materials adds to the manpower requirement.
- (4) The fact that the number of hours worked by each person has been curtailed by the enforcement of the Labor Standards Law and for other reasons serves to increase employment to that extent. Furthermore, if we take into account (5) decline of labor efficiency due to the increase of unskilled workers and (6) slackened will to work by the difficulties of workers' livelihood, of housing and congestion of traffic, necessary employment will reach an unexpectedly large amount, in spite of the present low level of production. The report of investigations conducted in individual enterprises discloses that there is some overemployment of the staff in such specific groups as auxiliary and factory management, but the volume of overemployment as a whole is not so large as is estimated in general. Overemployment cannot be neglected as a reason for the present decline of labor productivity but it must be emphatically attributed to the reduction of business activity resulting from the devastation of facilities, tightness of money and especially of shortages of raw materials and power. Under the present circumstances a substantial portion of overemployment may be turned to necessary employment by increasing industrial activities and, moreover, it is a fact

that there exists hardly any room in the national economy to absorb such an enormous amount of unemployment as might be created. In order to elevate labor productivity, therefore, the most important step will be to increase operation capacity by overcoming various obstacles of slackened business operation, though it may be necessary to take steps to dispose of overemployment to a certain degree.

"The improvement of production efficiency is an indispensable requirement for the accomplishment in the near future of the self-supporting economy of Japan amidst international competition. Therefore, endeavors are required to restore present declined production techniques to the international level and also to weed out certain inefficient enterprises at this juncture. In view of completing such preparatory steps for the future it is most desirable that the problems relating to the Enterprises Reconstruction and Adjustment Law, Deconcentration Law and reparations be solved as soon as possible, as they constitute obstacles in production by throwing a shadow of uneasiness on the future.

"Under the present situation, fixing of prices at or near the cost of production and the grant of subsidies may be unavoidable to some extent, but it must not be overlooked that they have an aspect of impeding the efficiency of production and management. Therefore, efforts should gradually be made to do away with such practices.

"With regard to the small or medium-sized enterprises of this country, they played a major role in producing export goods and domestic consumers' goods before the war, and maintained tough existences as subcontractors of munition manufacturing industries during the war time. Under the current stringent conditions of capital accumulation and excess of labor in this country, there seem to exist sufficient objective conditions for them to play again such an important part as was played by them before the war. Their disadvantages vis-a-vis big enterprises are low level of techniques, unavoidable among them, and the unfavorable treatment often given in allocation of materials and funds. The Government is trying to increase the guidance and assistance to small and medium-sized enterprises in respect to their management and techniques by setting up a Small and Medium-sized Enterprises Board. It will be necessary on the part of the said enterprises to make good their inherent disadvantages by taking such measures as developing cooperative associations.

Wage and Living Cost

"Average wages (gross average of laborers and staff employees, male and female) per capita per month in the manufacturing industry of the whole country since January 1947 are as follows:

1947		1948
January ¥ 964	July ¥ 1,835	January ¥ 2,951
February ¥ 1,022	August ¥ 2,031	February ¥ 2,981
March ¥ 1,083	September ¥ 2,181	March ¥ 3,224
April ¥ 1,233	October ¥ 2,309	
May ¥ 1,425	November ¥ 2,536	
June ¥ 1,689	December ¥ 3,517	

Average January - December ¥ 1,819

"Wages actually have gone up every month from the ¥ 1,800 standard set for the new price level. As an average salary of ¥ 1,800 for government employees was left untouched until the end

of last December, the imbalance compared with salaries of private enterprises was adjusted by paying 2.8 times the monthly salary at one time and raising the salary standard to ¥ 2,920 in January 1949.

"The wage enumerated above is the total sum including various allowances of which details are shown below with an example of an average wage per capita per month in the manufacturing industry of the whole country; ¥ 1,548 or 85 percent of the total is regular wages, ¥ 208 or 11 percent is irregular wages in cash, and ¥ 63 or four percent is payment in kind, the total of which amounts to ¥ 1,819, monthly average in 1947.

"The average wages per capita per month (the gross sum including regular and irregular wages and payment in kind) by laborers and staff members, male or female, in the manufacturing industry are shown as follows:

	<u>Male</u>	<u>Female</u>
Laborers	¥ 2,010	¥ 939
Staff members	2,647	1,249

"The wage of laborers is around 76 percent of that of staff members and the female wage is about 47 percent of that of male. Taking into account the fact that the female wage was about 30 percent of the male wage before the war (1934-36), the difference at present between male and female is smaller. The equilibrating trend of wages is seen in various other quarters. Taking as an example a certain manufacturing company in 1937, the salary of a foreman was five times, the initial wage of an employee who had just graduated from a middle school was two times, and the salary of a staff employee was 20 times respectively that of an under-age unskilled laborer. Taking a recent example, the wage of a foreman (having deducted tax) is four times, the initial wage of an employee who has just been graduated from a middle school is one time and the salary of a staff employee is five times respectively that of an under-age unskilled laborer, which shows a remarkable equilibrating trend.

"Though the above equilibrating trend of wages may be unavoidable under the stringent conditions of our postwar economy, it undoubtedly dampens the will of the workers to work and improve. In order to raise in large measure the efficiency of labor, it will be necessary to enlarge the differences of wages in accordance with ability, responsibility and difficulty of work.

"Let us trace the trend of family expenditure. The average family expenditure (number in family is 4.3-4.5) per month in the main municipalities is as follows:*

<u>1947</u>			<u>1948</u>				
January	¥ 1,980	May	¥ 3,270	September	¥ 4,660	January	¥ 5,850
February	¥ 2,050	June	¥ 4,030	October	¥ 5,130		
March	¥ 2,530	July	¥ 4,710	November	¥ 5,160		
April	¥ 2,740	August	¥ 4,690	December	¥ 8,320		

"Details of imbalance in the family budget are properly shown in the following table of monthly average expenditure in 1947.* (As the average wage mentioned above is a gross average of wages of male, female, married and non-married, it is not appropriate to be compared with the family expenditure.)

* SCAP records, based on wider cross-section of samplings, show generally higher wage and expenditure averages.

Items	Actual Income				Actual Expenditure		
	Earned Income				Living	Tax	Total
	House-holders	Other Members	Supplementary Income	Total			
Average 1947	₹ 3,400	₹ 180	₹ 600	₹ 4,180	₹ 4,110	₹ 340	₹ 4,450
Percentage	100	5	18	123	121	10	131
Average 1934-36 (percent)	100	3	9	112	99	0	99

"In comparison with the figures from before the war, it is noted that the rate of supplementary income has increased and the burden of taxes become heavier. The percentage of deficit of a household, a ratio of actual income to actual expenditure, is an average of about seven percent of 1947, monthly percentages showing no remarkable fluctuation, as follows (figures represent percentages):*

	1947				1948		
January	13	May	5	September	6	January	11
February	11	June	5	October	8		
March	14	July	13	November	8		
April	9	August	9	December	6		

Family expenditures detailed by items are shown below, compared with conditions before the war (by percentage).

	Total Expenditure	Food	Clothing	Fuel and Light	Dwelling	Miscellaneous
Present time	100	67	8	5	4	16
Before the war	100	36	12	4	13	35

*Expenses for food have increased remarkably at the sacrifice of other items.

"The real wage and real family expenditure (arrived at by dividing nominal wage and expenditure by effective price) in January 1948 are 118 percent and 114 percent respectively of those in January 1947, showing a certain real elevation of wage and expenditure. Mainly due to full rationing of staple foods since last August the upward curve of prices has come to a standstill while the nominal wage, on the other hand, has continuously increased; as a result, rate of rising of the real wage has gradually increased. The real expenditure of the household has also increased in parallel. The chief reasons why household deficits did not disappear as at first expected were:

- (1) The upward trend of prices became less violent but did not stop.
- (2) The distribution order of perishable foods was not properly established.
- (3) The consumption level, especially of luxuries such as fruit and candies, has increased.

"Let us next compare the present levels of real wage and real expenditure with those in the prewar 1934-36 period. Roughly speaking real wage and expenditure in 1947 corresponds to 30 percent

* SCAP records, based on wider cross-section of samplings, show generally higher wage and expenditure averages.

and 40 percent respectively of the prewar levels.* This indicates that in order to balance family budgets we have to rely more upon supplementary income to be derived from side jobs. Further, the fact that the present real wage level is about 30 percent of that in prewar days corresponds to the fact that the present manufacturing and mining production has been reduced to one third of the prewar levels.

*The above movement of wage and household expenditure further shows that since the war's end our living standard has declined nearly to the minimum but it did not get worse in the last twelve months. On the contrary, full rationing of staple food maintained since last August and increase in rationed nonstaple food which began in January this year, coupled with a reduced rate of rise in prices, have certainly contributed to an increase in the real wage. If the present level of consumption in luxuries and other items is not raised markedly it is anticipated that the family budget will improve step by step though at a limited rate.

Demand and Supply of Living Necessities

*As mentioned in the preceding paragraph the rationing of living necessities greatly influences the family budget. The fulfillment of rations, therefore, is not only one of the basic conditions for stabilization of national livelihood but also a prerequisite for a higher productivity of labor. Let us, then, make a general survey of production and distribution of these living necessities.

*To start with staple foods, the Government has enforced several food emergency measures since July 1st last year by introducing the systems of "rice from relatives" and "relief rice," etc., while making every effort to collect potato crops early, because delay in rationing, on the national average, amounted to 9.3 days since June and it was even feared that there might arise 20 additional no-ration days during the four months from July to October. Although the system of "rice from relatives" or "relief rice" did not prove to be very successful, we could manage to tide over the between-seasons period owing to the good results of earlier collection of wheat and to the fact that SCAP, recognizing the united effort of the Government and the people for the increase of food supply, has approved several times since August the emergency release of imported foodstuffs sufficient for the fulfillment of rations. The crop for the 1947 rice year was 59,670,000 koku (305,510,400 bushels) and the total quota of staple foods including miscellaneous cereals to be turned in from this crop was fixed at 30,550,000 koku (156,416,000 bushels). In spite of an increase of eight percent as compared with the quota of the previous year, the progress of collection was unusually good and the quota had been fully turned in by the middle of March, owing mainly to strong encouragement for full collection and assurance of incentive goods by the Government as well as to excellent cooperation on the part of farmers. However, there were several defects in measures taken by local government offices concerning the basis and operation of the quota system and also several points to be improved in the business practices of the purchasing agency and in the operation of the incentive goods system.

*Next, we shall proceed to report on fish, shells and vegetables, the expenditure for which comprises 15 percent (fish and shells five percent and vegetables 10 percent) of the family expenditure.

* SCAP estimates indicate real wage level was 40 to 45 percent of the prewar level and real expenditure 60 to 70 percent.

"The amount of marine products has decreased to 60 percent of the amount in the prewar period. There is not much difference between the postwar and prewar period in vegetable production, but their distribution to urban areas has conspicuously decreased because of the loss of special production areas. The Government, therefore, made a rationing plan laying stress on the eight biggest cities as one of the food emergency measures in July last year. According to the plan, 35 momme (one momme equals 0.13 ounce avoirdupois) of fish and shells per capita per three days from the period from July to October and 60 momme of vegetables per capita per three days for July and 60 momme per capita per two days for the period from August to October were to be rationed. In order to secure such rations the Government has taken measures for the promotion of their shipment to urban areas by strengthening the link system of fuel oils and fertilizers and by increasing the gasoline ration to trucks for their transportation, with a result that the shipment of vegetables to the central market gradually increased although that of fish and shells has shown no notable change.

"However, it is clearly shown in the following table of actual rations per capita per day in metropolitan Tokyo that not necessarily all the shipments to the central market have been distributed as home rations.

	Momme a					
	July	August	September	October	November	December
Fish and shells	5.6	5.8	6.6	4.4	5.0	10.1
Vegetables	6.6	6.2	6.5	11.5	10.7	17.3

a/ One momme equals 0.13 ounce avoirdupois.

"These figures show that about 80 percent of the quota allocated for home rations in the case of fish and shells and less than 30 percent in the case of vegetables have actually been delivered, the rest having been weight loss and diversion into black markets.

"Furthermore, the prices of rationed goods were 80 percent higher than the official prices in fish and shells as well as in vegetables according to the result of investigation of family expenditures. So far as the family budget of the period from July to December is concerned, various efforts of the Government resulted in the curtailment of only one to two percent of the family expenditure as compared with the case where all fresh foodstuffs had been bought through the black market. Under such circumstances the Government started taking fresh foodstuffs emergency measures in order to strengthen effectively the control over their shipment and distribution since December 15 last year, and the effect of such measures has gradually begun to appear since January this year. In February about 70 percent of the total amount of family purchases of fresh foodstuffs became obtainable in rations whereas in the latter half of last year the percentage of rations was less than 20 percent. On the other hand new problems, such as a decrease of shipment to local small or medium-sized cities, have arisen.

"With regard to processed foods, almost the full rations were delivered except in a special case of delayed rationing caused by transportation difficulties throughout the flooded areas. This was due to the effort of the Government to secure the rationing of miso, soybean sauce, salt, oils and fats to the six big cities as one of the food emergency measures of last year. The average amount of salt, miso and soybean sauce purchased per capita per

month (during the period from July to November 1946) are as shown in the following family expenditure in metropolitan Tokyo. It can be seen from this table that a part of these foodstuffs was also diverted to black markets.

	<u>Unit</u>	<u>Distribution</u>	<u>Black Market</u>	<u>Total</u>	<u>Ration Planned by the Government</u>
Salt	gram	184	91	275	200
Miso	momme <u>a/</u>	84	17	101	101
Soybean sauce	go <u>b/</u>	1.7	2.2	3.9	2.3

a/ One momme equals 0.13 ounce avoirdupois.

b/ One go equals 0.38 liquid pint.

"The supply of clothing for the fiscal year 1947 amounted to only 90 percent of the supply of the previous year during which stocks were comparatively abundant. Consequently, their ration per capita was estimated at only 1.8 pounds even if all the stocks in Japan and as much new products as possible were allotted to civilian consumption.

"Under such circumstances, textile goods emergency measures were decided upon by the Government on August 29 last year. According to such measures priority rationing was to be enforced by securing first labor incentive goods and then necessary goods for expectant mothers, infants, school children and needy persons. However, owing to the fuel shortage and financial difficulty, production during the period from September to December was only 37 percent of the projected amount. By making every effort to overcome these bottlenecks and by diverting the stockpile for export and the released Occupation Forces goods for rationing purposes it is expected that the projected amount of ration will be distributed by June this year.

"The supply for 1948 will be two pounds per capita at most (0.9 pound for an ordinary person) as compared with 10 pounds per capita in prewar time even on the supposition that an increased amount of imported raw materials will be diverted for domestic use.

"Raw materials like rubber, textiles, oil, fat and paraffin, etc., for daily necessities depend considerably upon import, and the amount of these raw materials the Government can actually get is limited. For these reasons actual rations of daily necessities are rather poor, matches for instance being rationed only four sticks per capita per day for ordinary families and soap only a piece per capita per year. The greater part of daily necessities consumed by the people is obtained either from black markets or free markets.

"The consumption of household fuels in 1947 was 430 calories (11.7 bags in terms of four-kan [33-pound] charcoal bags) per nonagricultural family as against the prewar annual average of 1,190 calories (32.4 bags), a decrease to about 35 percent. This was due to the decreased production of charcoal, firewood and gas despite an increase of electric heating consumption.

"To summarize the foregoing, the rations of staple foods have continuously been fulfilled since August last year and future prospects are also fairly hopeful. The rationing of fresh foodstuffs, although taking a good turn since January this year, depends upon efforts of the Government and the people so far as its future

prospect is concerned. The rationing of clothing, daily necessities, fuels, etc., cannot be expected to take a conspicuously favorable turn within this year for various reasons, although it will at least not be aggravated as compared with last year.

Labor Situation

"The population by industry clarified in the population census of October 1, 1947, compares as follows with that of 1940:

	Thousands of Persons a/	
	October 1, 1947 b/	October 1, 1940
Total population	78,627	72,540
Gainfully employed*	33,881	32,483
Agriculture	16,622	13,549
Forestry	480	292
Marine products	710	543
Mining	667	598
Construction	1,320	955
Manufacturing	5,722	7,033
Gas, electricity and water	191	143
Commerce	2,190	3,508
Finance	240	238
Transportation and communication	1,507	1,364
Services	838	1,845
Professions	1,127	1,555
Public service and associations	1,271	639
Others	444	218
Unemployed	672 c/	40,057
Nonlabor force	27,251	-
Population under nine years of age	16,823	-

a/ Although it may be impossible to make a comparison of 1947 and 1940 figures in the strict sense of the word since the same definitions were not necessarily used in both censuses, the above comparison is ventured for the purpose of indicating the general trend of occupations.

b/ Due consideration is given to possible omissions in the flood-stricken areas as well as other general omissions in the figures in the categories of total population, gainfully employed, unemployed, nonlabor force and population under nine years of age. The population by industry is not adjusted.

c/ Not gainfully employed.

"The approximately 6,100,000 increase of total population is divided into 1,400,000 gainfully employed and 4,700,000 nongainfully employed.

"In the category of nonlabor force are included women in the family, school children above 10 years of age, students, aged people, nonemployed persons in the prime of life who would not seek fixed occupations, etc. The figure for unemployed is only 670,000 and believed to be greatly underestimated. It is a well-known fact that in prewar times Japan was overpopulated. This tendency to overpopulation is believed to have been intensified by the increase of supply of labor force following the defeat on one hand and by the extraordinary shrinkage of industrial activities which had to absorb such increase of labor force on the other. Then, why is the estimated number of unemployed so small? First, there exists a great number of persons who prefer to be black-market brokers

* Unadjusted.

as it is easier to make their living in that way under the present inflation and they would not seek any regular occupation (these persons are included in the category of nonlabor force in the above table). Second, the number of gainfully employed has increased by approximately four percent in spite of the fact that the scale of production was substantially reduced after the war. For instance, the agricultural population has increased by as much as 24 percent in spite of the fact that the present level of agricultural production is estimated to be not more than 90 percent of that of 1940. This indicates that a substantial part of the increased population after the war has been absorbed in the category of agricultural production. In the case of mining and industrial population, it is no less than 90 percent of that of 1940 while the mining and industrial production is only 20 percent of that of 1940. As explained in another part of this report this imbalance between working people and the production scale cannot be deemed to represent the proportion of surplus labor.

"Because the estimated number of unemployed is unexpectedly small for the reasons stated above various unemployment counter-measures have so far failed to be as effective as expected. For instance, out of an average of 500,000 persons per day who engaged in public works, only about 100,000 persons per day are regarded as temporary employees without any standing profession. Labor exchanges in the public employment stabilization agency reported the supply of labor was only 75 percent of the demand for labor in the latter half of 1947, and the number of applicants to the vocational guidance center is not sufficient.

"The postwar decrease of labor productivity, as mentioned before, naturally brings about a decrease of real wages and, because of the resultant decrease in living standards of workers, reduces their capacity to work. The Government, therefore, has been endeavoring to maintain and promote the productivity of labor while guaranteeing, especially the laborers of essential industries, the maintenance of living standards by allocating to them additional rations of foodstuffs, work clothes and other goods. During the 1947 rice year the Government allocated additional labor rations of rice ranging between 0.5 and 4.5 go (one go equals 0.33 dry pint) to approximately 6,150,000 laborers engaged in 70 kinds of essential work such as agriculture, forestry, fisheries, general mining and industry, and transportation, etc., and the total rations actually given amounted to 2,480,000 koku (12,697,600 bushels). The difficulties in rationing work clothes were aggravated as compared with the previous year. The rations per capita per year of work clothes, work gloves and jikatabi (rubber-soled socks) were as scanty as less than 0.8 suit, 0.8 pair and 0.5 pair respectively and it cannot be denied that the method of their allocation lacked a scientific rationality. With a view to contributing to the promotion of labor's will to produce, special rations of sake, cigarettes and sweets were given; the projected amount of sake ration amounted to 34 percent of the total production and that of cigarettes 29 percent. Special rations both in quality and quantity were given to coal mine laborers, and in order to respond to the production increase achieved by them since the end of last year incentive goods have been released and staple foods and subsidiaries have regularly been delivered to them, but work clothes have not generally been available as soon as scheduled. The special rationing system of these laborers' goods, if not properly operated would give undue benefits to those laborers in essential industries who are not actually working and yet receiving the special rations. Thus it is even possible that such a system has an adverse effect of weakening their will to produce. Recently, therefore, supervision is being exercised so that a strict rationing may be carried out corresponding to working days and hours as well as to degree of labor.

"Next, let us survey the recent development of the labor movement. The number of unit labor unions registered was 26,421 and their total membership 5,993,613 as of the end of November last year. In comparison with the 17,265 unit unions and 4,849,320 total membership as of the end of 1946 this is considered as remarkable progress. In the beginning of the union movement, union members were not fully awake to their position, having been under the impression that it was made and given by others. There were also not a few members who lacked consideration for the national economy and public interests, having been obsessed with their own position. It is only very recently that a new development of the labor movement has been foreseen in independent actions of subordinate labor organizations in connection with the changes of organizations and activities of federations or councils of labor unions such as (1) the effort to form a substantial common front by clarifying principles and policies instead of formal common front, which was shown in the split of the All-Japan Council of Miners' Unions, (2) the increased voice of local branches or unit unions which was indicated in the internal dissension in the Government Railroad Workers' Union and in the democratization movement of the National Congress of Industrial Unions, (3) the rise of an anti-Communist movement in the Government Railroad Worker's Union and others, and (4) the conflict between NCIU and Sodomei in connection with the new price system, etc.

<u>1946</u>	<u>Number of Disputes</u>	<u>Participants</u>	<u>Labor Days Lost^{a/}</u>
January - March	258	161,043	346,993
April - June	345	153,449	225,898
July - September	389	1,283,543	1,152,935
October - December	456	2,086,360	4,189,487
<u>1947</u>			
January - March	341	3,001,517	729,840 (0.22)
April - June	201	353,895	350,200 (0.08)
July - September	420	1,241,218	900,214 (0.22)
October - December	413	5,595,783	2,684,307 (0.62)

^{a/} Figures in parentheses show the percentage of lost labor days against the total labor days of organized laborers.

"As shown in the above table, although the number of labor disputes has shown a decrease since the beginning of 1946, regional labor disputes demanding mainly the establishment of a minimum wage system and a sliding wage system in connection with the new price level began to increase since last July. Considerable success has been obtained by these general industrial workers in their demand for a higher wage, but concerning the government and public workers some problems remain unsolved.

Construction Works

"We are usually inclined to think of production increase in terms of factories, mines, farmland and other fields of activities where production actually takes place. However, we must be aware of the fact that the scale and quality of production are largely subject to the availability of public facilities such as railroads, highways, harbors, electric power, communications, rivers, flood control, irrigation, etc., and also to housing conditions. To give a few examples, coal production can be increased to the extent that it can be transported and food production increase is greatly hampered by flood damages. We must realize further that the ceiling thus imposed upon the restoration of the

Japanese economy is not as high as generally considered in view of the devastated state of affairs now prevailing here as the aftermath of the last war. For the sake of a speedy restoration of Japan's productivity, public facilities mentioned above must be restored and improved along with the expansion of direct production facilities, so that a well-balanced state will be maintained between the facilities of all kinds.

"The devastation which we find in our country has been referred to in the preceding economic report. Repeated floods occurring since have added much to it and the situation now confronting us is really a serious one. Inundation took place last year in Tohoku in June, in Hokkaido in July and August, and in Kanto and again in Tohoku in September. The restoration work required an expense amounting to ¥ 30,700,000,000 of which ¥ 23,200,000,000 had to be paid by the national treasury. If the repair works carried over from the preceding year are added, the national government had to pay ¥ 31,600,000,000. Against this, actual appropriations for the 1947 fiscal year for the work was only ¥ 5,000,000,000, necessitating most of it being carried over to the following year. The possible result will be an even greater scale of future damages and accumulated danger. We cannot overlook the fact that balancing of the budget is being done at the sacrifice of such public enterprises.

"Such payment is necessary in order to cope with damages already done. It would be much better if disasters could be prevented in advance. Of all the cultivated land in Japan, amounting to 5,900,000 chobu (5,841,000 hectares), 1,780,000 chobu (1,762,200 hectares) is estimated to be exposed to possible flood damage and, of this, 740,000 chobu (732,600 hectares) is now cleared of danger by river improvement in the past. Preventive measures to protect the remaining land is estimated to require ¥ 150,000,000,000. For this purpose only ¥ 508,000,000 was actually appropriated for the 1947 fiscal year and involved improvement on 247 rivers all over Japan. Besides this, flood control work on the upper parts of the rivers is also essential to prevent the dissolution of sand and soil, and damage by torrents on soil and granite in the downstreams as well as to save reservoirs for power plants from being buried. The shortage of money and materials virtually stopped expediting this essential work.

"As for forestry, devastation is in progress at great speed on account of overcutting and little afforestation during the war. Our timber resources are estimated at about 6,100,000,000 koku (60,505,656,000 cubic feet) of which 4,600,000,000 (45,627,216,000 cubic feet) is considered to be available reserve. Adequate yearly cutting, considering the increased speed of cutting is estimated to be about 140,000,000 or 150,000,000 koku (13,886,544,000 or 14,878,440,000 cubic feet) while, during and since the war more than 100,000,000 koku (991,891,000 cubic feet) was cut every year over and above the standard. If this overcutting continues lumber forests will be exhausted after 50 years and charcoal forest will come to an end within a decade or two. On the other hand afforestation has made little progress because of the shortage of material, money and labor during the war. After the war it was discouraged by enormous increase in cost of afforestation caused by inflation and the general unsettled outlook for the future of the forestry industry. The result was that 1,680,000 chobu (1,673,200 hectares) needed afforestation at the end of 1947. In order to restore the normal state of affairs within five years, a yearly rate of afforestation of 630,000 chobu (623,700 hectares) must be maintained, including

300,000 chobu (297,000 hectares) necessary to replace future yearly cutting. Afforestation of this magnitude is twice as much as that carried out during the 1930-34 period, which fact shows how difficult it is to effectuate such a program. The actual 1947 program covered only one fifth of this requirement. There is a proverb saying that the destiny of a nation coincides with that of her forests. We have to undertake maximum afforestation now for the benefit of the generations to come.

"We have a network of highways, national and prefectural, extending 124,253 kilometers, of which 65,680 kilometers, or 48 percent is usable for motor traffic but only five percent is paved. Road pavement holds good for 15 years necessitating renewal work on 400 kilometers every year just to maintain the present network. If we take into consideration neglect of work during the war, we have to repair 1,000 kilometers every year for period of seven years in succession in order to restore the prewar condition. In 1947 only 145 kilometers were repaired under the special program.

"Railroads, harbors, communications and power we have mentioned elsewhere; we now propose to analyze the situation of housing. War damage done on buildings, excepting the personal properties involved, is estimated to be ¥ 17,100,000,000 in value at the end of the war, corresponding to 34 percent of the total loss suffered in national assets on account of war damage, and representing damage to one third of the total floor area of buildings in municipalities. It resulted in the unsettled living conditions due to housing shortages and other cultural and economic difficulties caused by the loss of schools and other public buildings as well as buildings necessary for productive and trade activities. The minimum estimate of building requirement at present amounts to 93,000,000 tsubo (307,458,000 square meters) involving necessary supply of 420,000,000 koku (1,388,520,000 cubic meters) of lumber of which 240,000,000 koku (793,440,000 cubic meters) is for building residential houses. In the government housing program after the war, priority has been given to such houses as would contribute directly to production increase. The fact that the coal miners' housing program with money and materials supplied on priority basis largely accounted for the successful attainment of the 30,000,000-ton production goal of coal cannot be denied. For the future production of iron and steel, increased efficiency in the stevedore industry, etc., similar housing programs for laborers is regarded as essential. Since priority is given to industrial rehabilitation and since the present short supply of materials continues, it seems that the housing shortage in cities and towns probably will not be settled for some time to come. It is very difficult, further, to proceed with large-scale housing construction for the time being in view of the financial aspect, as money expenditures should be strictly restrained so as to tide over currency inflation. However, the Government, fully aware of the moral and physical suffering on the part of the people, is studying ways and means to meet the demand for lodging at the earliest possible time.

"As has been stated the construction work which needs to be executed amounts to a great deal. It involves the reconstruction and rehabilitation of war damages and is essentially different from peaceful public works with the purpose of encouraging employment or creating purchasing power. It is necessary to put an end to the accelerated devastation and to present a firm basis for industrial rehabilitation. The necessary construction must be carried through despite the difficulties existing in the present Japanese economy. For this purpose a well coordinated work program must be established and efficient and adequate spending of public funds must be weighed so that any possible waste be eliminated and

materials and money be used with the highest possible utilization. With these measures and necessary steps for revenue increase, sound public finance will be maintained side by side with the fulfillment of demands for the upkeep of the country and the rehabilitation of industry.

Conclusion

"As has been made clear in the foregoing, the Japanese economy faces an important crossroad this year; three years after termination of the war sees the continuation of emergency measures under the pressure of the hard-pressed economic situation. The situation at home as well as abroad seems to encourage us to make this year the first one for the beginning of real reconstruction of peacetime economy. We are required to place our economy on a self-supporting basis and thus minimize the burden on the part of the Allied Powers and we must contribute to the reconstruction and prosperity of this part of the world with maximum industrial recovery and export increase. How can we meet the requirement? What is most essential is to promote maximum recovery of production while arresting the advance of inflation as much as possible, and furthermore, to try to improve our economy to operate with the highest possible efficiency. For the implementation of this objective it is essential that an economic rehabilitation program be drafted on an objective basis. Indigenous resources must be utilized to the full, technical standards must be raised and higher efficiency must be attained in the respective fields of public administration, enterprise management and labor. It is further required that a minimum living standard of the people be guaranteed to promote equitable distribution of necessary goods. At the same time consumption of luxuries must of course be restricted, and the present extremely short supply of internal capital must be accumulated and restored to be invested in useful productive fields accelerating economic recovery.

"The future of our economy depends on whether the problems which are mentioned above will be solved or not, and we should not forget that outside assistance of a constructive nature will come only when the Japanese people themselves utilize their available resources to the maximum extent."

"JAPANESE ECONOMIC REHABILITATION PLAN"

27. On 17 May the Economic Stabilization Board issued the first draft of its "Japanese Economic Rehabilitation Plan," which details a comprehensive reconstruction scheme for a five-year recovery plan. The paper was prepared for the use of the Japanese Economic Rehabilitation Planning Committee and represents ideas and conclusions formed in a study which has been underway by the board since August 1947. A translation of the paper, details of which have been revised by the ESB, follows:

Introduction

"The economic crisis in postwar Japan is characterized by so-called underproduction and inflation. It is not a temporary confusion due to the conversion of our economy from wartime to peacetime structure. But it is a crisis deeply rooted in the thorough destruction and retrenchment of the foundation of our economy due to defeat in war. Needless to say, the greatest problem of this country at present is to overcome this economic crisis and stabilize our economy as soon as possible. For this purpose it is necessary to draw up a blueprint and set the concrete goal of rehabilitating the destroyed and retrenched economic foundation, and thence to put into effect the measures to cope with the crisis conceived as a part of a comprehensive rehabilitation plan linked with the above blueprint and goal.

"The Government has been and is striving to stabilize our economy, but as the goal of economic rehabilitation has not been clear, and the international and internal conditions to attain the target have not been fully ripe, the measures it has taken have lacked comprehensiveness and it has been unable to administer fundamental remedies which would strike at the root of crisis. Nor has the Government been able to obtain the cooperation of the whole people for the stabilization of economy, clearly indicating to them the goal of our advance and thereby giving them hope for the future.

"But it has become necessary to take up the economic rehabilitation plan earnestly and concretely at this moment, for the internal and external circumstances demand it. Now the Government keenly feels that the time is ripe for it to draw up and put into effect, within the limit allowed to it, a practical economic rehabilitation plan, in order to clarify the goal of national efforts, to give direction and comprehensiveness to the economic measures to overcome the economic crisis and to request outside help absolutely necessary for the stabilization of our economy.

"In this sense the Government has decided to establish the Japanese Economy Rehabilitation Planning Committee and to submit to it the first draft of the five-year plan for rehabilitating Japanese economy which has been studied by the Economic Stabilization Board since August last year as a material for the perusal and deliberation of the committee members.

"This is a tentative plan drawn up by the board on an assumption of certain conditions. If the assumed conditions change the contents of the plan must also be changed.

"For instance, regarding the estimate of population, which is a basic factor, this plan underestimates the increase, comparing with the result of the census of October 1947. It is therefore necessary to set the goal of rehabilitation a little higher than contemplated in this plan. Being conscious of these defects and misunderstanding which may be caused by them, we venture to submit this tentative plan to the committee because it is desired that this plan will serve as a useful material for discussions of the committee, and at the same time it is believed that this will be good enough to serve for that purpose. It is sincerely hoped that, with the positive criticism and constructive opinion of the members expressed from the people's standpoint, this tentative plan may be developed into a more perfect rehabilitation plan and that the time may come when all the people will be united into one in their efforts for the rehabilitation of national economy.

"This is an over-all rehabilitation plan of our economy although it is a tentative one. All the projects have been made with a view to restoring roughly the standard of living of 1930-34 by 1952, five years hence. Its contents are divided into the following seven items:

- Mining and manufacturing industries
- Foodstuffs
- Foreign trade
- Transportation
- Construction
- Employment
- National income

"The general target of this economic rehabilitation plan and its individual projects are given in the following chapters.

Goal of Economic Rehabilitation

"1. Under what circumstances may we call our economy substantially "stabilized"?"

"The concrete scale and structure of the "stabilized economy" differ according to the concepts of the "proper" standard of living and the "appropriate" level and structure of industries. But, generally speaking, the following four conditions must be satisfied before the economy is deemed stabilized.

- "(1) Livelihood of the people has reached a reasonable standard of living.
- "(2) Export is enough to meet the import of foodstuffs, industrial raw materials and other necessary goods. In other words, the balance of international payments is maintained.
- "(3) Level of economy is raised and a well-balanced structure of various component parts of the economy is realized, so that the above conditions (1) and (2) may be satisfied.
- "(4) Efficiency of labor, or productivity of labor, is raised and full employment is, if possible, realized.

"In drawing up a concrete plan the target of a reasonable standard of living and level of industry must be determined taking the above conditions and the national and international situations into account. The Government, after careful deliberation, has set the goal, in this first tentative plan, to realize industrial structure and scale capable of bringing about the standard of living almost to 1930-34 average by 1952, five years later.

"We have set the above standard as the goal of our rehabilitation plan in consideration of the findings of the Far Eastern Commission which recognized it reasonable to permit the Japanese people to attain the standard of living of 1930-34 average, and of the necessity to restore the prewar standard of living before starting to revive our country as a cultural nation.

"2. Mean population in 1930-34 in this country was 66,330,000. It is estimated, according to the estimation adopted in this plan, that our population will increase to 82,932,000 by 1952. As mentioned before, this is an understatement. And yet it marks an increase of 25 percent against the basic period. Accepting this estimate, and assuming that the proportion of consumption and investment remains constant, the real national income must reach 125 percent of that of the basic period, in order that we may attain in 1952 the same standard of living we had in 1930-34. In this connection, when we take into consideration various circumstances which will not permit agricultural, forestry and fishing industries to increase their production much over the basic period on account of the limitation of production conditions such as arable land and fishing area, the declining production of cocoons and tea and the difficulty of mechanization, we find it will be necessary to raise the production levels of mining and manufacturing industries sufficient to offset the balance.

"Under these circumstances, if we want to maintain the balance of international payments, in other words, to realize a self-supporting economy without foreign aids in 1952, it must be our target in foreign trade that our exports not only equal our imports, which would enable us to meet the demands for the above-mentioned levels of livelihood and production, but also the productivity of

labor in this country should be restored to the same level as that of the basic years.

"The estimated increase in our population is as follows:

October 1, 1948	79,990,000
October 1, 1949	80,895,000
October 1, 1950	81,618,000
October 1, 1951	82,292,000
October 1, 1952	82,932,000

"The above estimates of population have been made by the Population Problem Institute of the Ministry of Welfare. According to the recently revealed results of the census, the Japanese population on October 1, 1947, was 78,620,000 which marked an increase of around 6,000,000 since the end of the war. The major portion of the above increase consists of the repatriates from abroad, but the natural increase during 1947 was around 1,550,000, which is far more than the peak of 1,130,000 in 1941. Such a rapid increase may be a temporary and abnormal postwar phenomenon, but the rate of natural increase is higher than we expected. Taking into consideration these factors it will be necessary to revise the estimate of the population. After all, the maintenance of such a big population on the poor land will aggravate the food and unemployment problems and constitute one of the most fundamental difficulties of Japan's economy. Therefore it is deemed necessary to pay careful consideration and make studies of measures against population increase.

"In order to get international receipts and payments well balanced, and to enable us no longer to depend economically upon foreign aid but stand on our own feet in the 1952 fiscal year, it will be essential that the goal should be set for our foreign trade to export such volume of goods as will counterbalance the import of commodities needed to maintain both the production level and living standard of this country. At the same time, productivity of labor should at least be restored to the level of the basic period.

"3. After consideration of these conditions as well as of the probability of attainment, the following major targets of reconstruction have been set up under the present tentative plan to be realized in the 1952 fiscal year, that is, five years hence.

GOAL FOR 1952

	Unit	1952	1930-34 Average	Percent 1952 of 1930-34
Mining and manufac- turing productions	(index)	130	100	130
Coal	1,000 MT	44,000	31,173	141
Crude steel	1,000 MT	3,840	2,722	141
Ordinary steel	1,000 MT	2,300	2,195	105
Cotton yarn	1,000 lbs	990,000	1,157,965	85
Spindles installed	each	5,830,000	8,000,000	73
Agricultural and marine production				
Money index		105	100	105
Calorie index		116	100	116
Rice	1,000 koku a/	67,921	61,030	111
Barley and wheat	1,000 koku a/	24,481	20,582	119

	<u>Unit</u>	<u>1952</u>	<u>1930-34 Average</u>	<u>Percent 1952 of 1930-34</u>
Exports	million dol- lars	1,646		
Imports	million dol- lars	1,657		
Invisible trade	million dol- lars	20		
National income	million yen	14,828	12,284	121
Living standard				
Individual con- sumer's expendi- ture (per capita per annum)	yen	116	129.6	90
Food (per capita per diem)	calorie	2,111	2,242	94
Clothing (per capita per annum)	pound	7.4	8.7	85

a/ One koku equals 5.12 bushels.

Notes:

1. The international payment is calculated by the present price (as of October 1947), though some decline in price is counted in the staple food, cotton, cotton fabrics, etc.
2. As for the invisible trade, the balance is actually unfavorable. But since all the export prices are calculated in terms of F.O.B. and the import prices in terms of C.I.F., it can be technically counted as "plus" (favorable) when a portion of them is carried by Japanese ships. \$ 20,000,000 is thus counted as a favorable balance on this list.
3. As for the agricultural production, the money index is the comparison of gross products of agricultural and aquatic industries of basic period with those of 1952 and the calorie index is calculated by the aggregate calories of the food produced. The great difference between the above two is due mainly to the fact that expensive raw silk and cocoon production is expected to be lower and to the fact that more potatoes, which were comparatively cheap in the basic period, are to be produced compared with the basic period.

From the above table it will be seen that the planned goal for the 1952 fiscal year will not materialize the 100 percent recovery to the average figures of 1930-34 in respect to the living standard, although the balance of international payments would almost be attained. And also the production level will not be completely recovered. This difference is accounted for by these factors:

- "(1) The present plan has been mapped out by taking into account the current situation of Japan's economy and her economic potential in the fields of power, mining and manufacturing production, food and transportation.
- "(2) If the real national income per capita is to attain in 1952 the same level as 1930-34, agricultural production in terms of money index will be 105 percent while mining and manufacturing production will be 140 percent of the basic level.

Owing to the various restrictive conditions, it will be difficult to raise the 1952 agricultural income to more than 105 per cent of the basic level. Consequently, the calorie index of 116 is adopted instead, and the more practicable figure of 130 per cent of industrial production was taken in this plan with the result that the real national income in 1952 has to be 121 percent instead of 125 percent of that in the basic period. Accordingly the real income per capita in 1952 will be 97 percent of that in the basic period.

- "(3) The productivity of labor was estimated at 90 percent of the base period, taking into account the present trend of affairs and operating capacity of actual industrial facilities. (But the productivity of labor per hour is 100 percent of the standard year.)
- "(4) On the other hand the level of consumption, as viewed from the angles of food and clothing, was estimated at the minimum consistent with the objective to be obtained, making an over-all survey of potential production and import, and taking into consideration the reasonable amelioration of content of livelihood.

"The rehabilitation plan is aimed at attaining the self-sustaining economy at the earliest possible date and developing further, by concentration of the total national power and the utmost utilization of indigenous resources. From this point of view, if a longer period is taken in the plan, the size of Japanese economy ought to be expanded accordingly. If this plan is materialized, even presupposing further increase in population, the economic stabilization can be virtually realized in 1953 and it is deemed possible that the goal of Japan's self-sustaining economy will be attained then.

"Note: This plan has been formulated with a view to promoting the economic reconstruction of the country by the concentration of national efforts and the utmost utilization of indigenous resources. However, it is also expected to acquire aid from foreign countries.

"The Government will by no means be surprised even if the recent development of the situation, international and domestic, should give rise to the criticism that the standard levels of production and livelihood as well as the blueprint of foreign trade incorporated in the plan as targets for the nation's economic revival are understated rather exceedingly. The Government will not deny--nay, rather hope eagerly--that far higher levels will be attained through increased efforts on the part of our population and help from foreign countries. So it is to be hoped that exhaustive deliberation will be made on the problem, keeping this fact in mind.

"4. The above is a planned concrete goal which we hope to fulfill by 1952. In so saying, we do not mean to assert that the plan, in the light of the prospect of revival year after year, will infallibly materialize and after five years Japan's economy will attain such level as is pictured therein. We of course believe in the practicability of the plan. In laying down the plan, however, we were motivated by the desire, more than anything else, to respond to the strong demand for achievement of economic rehabilitation at such a quick tempo.

"In view of the fact that in the fiscal year 1947 mining and manufacturing productions are estimated at 43 percent of the average of 1930-34, the export trade actually amounts to around 10 percent only and the existence of powerful and multifarious factors is impeding enhancement of industrial activity, it may possibly be criticized that for one thing the goal is a little too optimistic. We are well aware of such criticism. Accordingly, it must be noticed that the realization of the present plan is possible if and when the following conditions are fulfilled:

- "(1) The current inflation shall be settled within the first half of the planned period and its effect and menace to our economic stability will not assume such magnitude as will make the execution of the plan impossible.
- "(2) The instability, political and economic, in East Asia will be speedily relieved and the free exchange of foreign currencies reinstated.
- "(3) Substantial aid from foreign countries may be expected in the process of economic revival and the export industry and modernization of key industries will be stimulated by foreign credit from private sources.
- "(4) Difficulties in power supply and transportation will be solved during the earlier part of the project, and the achievement of the plan will not be vitally affected by these factors.

"Every item of these assumptions may seem to be too hazardous and optimistic. But, it must be emphasized that this is an "ideal formula." The present plan intends to bring home to the Government and the people the necessity to change their way of thinking entirely, in order to rehabilitate our economy as soon as possible.

"To put it another way, we may consider these assumptions as the indicators of not mere idle thoughts but of the targets of our policy toward economic recovery. For example, the target of raising the standard of living and that of establishing self-supporting economy or full employment may contradict each other to some extent during the process of economic stabilization. Therefore, in working out the present plan the following items were given the first consideration: (1) to concentrate funds and materials on the basic departments of production, such as power and transportation, which constitute bottlenecks of the first magnitude in raising the level of production, (2) to accelerate increases in production and modernization of export industry, (3) to increase as much as possible the supply of consumers' goods (foodstuffs, clothing, etc.) to arrest inflation. Needless to say, the present stage of inflation is already extremely critical, and we cannot allow it to take its own course. But a speedy rise of production level is almost of the same importance. Help from foreign countries and enforcement of strong comprehensive measures are absolutely necessary to solve this contradiction.

"It must be mentioned here that in working out the present plan, we made it the assumed condition that the minimum economic control for economic stabilization in such spheres as distribution, prices of commodities, etc., and the maximum effort for efficient tax collection which is absolutely necessary in view of the present acute shortage of materials, will be continued. If

we can tide our nation over this dire economic crisis by a comprehensive program based on the present plan, we believe we shall be able to attain the object of this project.

Mining and Manufacturing Industries

"1. The planned target of production of mining and manufacturing industries has been set at 130 percent of the basic period in consideration of agricultural production and practicability of the plan. Therefore, the following industrial scale and structure are adopted as the target of production.

PRODUCTION LEVEL OF MINING AND MANUFACTURING INDUSTRIES IN 1952

	<u>Unit</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Domestic Capacity</u>	<u>Average Output 1930-34</u>
Coal	1,000 MT	44,000	5,000	1,250	47,750	31,173
Electric power	million kwh	37,920	-	-	37,920	16,811
Ordinary steel	1,000 MT	2,300	200	-	2,500	2,195
Electrolytic copper	1,000 MT	65	-	-	65	73
Salt	1,000 MT	650	1,870	-	2,520	600
Caustic soda	1,000 MT	238	-	-	238	89
Soda ash	1,000 MT	158	-	-	158	92*
Cement	1,000 MT	4,500	-	350	4,150	3,637
Ammonium sulfate ^{a/}	1,000 MT	1,600	94	120	1,574	322
Calcium cyanamide	1,000 MT	450	-	-	450	200
Cotton yarn	1,000 lb	990,000	-	590,000	396,000	1,157,965
Rayon yarn	1,000 lb	210,000	-	140,000	70,000	81,170
Staple fiber	1,000 lb	160,000	-	42,105	117,895	1,247
Woolen and worsted yarn	1,000 lb	123,300	-	40,000	83,300	93,741

^{a/} Ammonium nitrate is shown in terms of ammonium sulfate.

"The comparison between this industrial structure and that in the basic period reveals that the relative decrease in textile industry and the development of mechanical industry and chemical industry mark the major change in its structure. As we stated above, Japan's economy requires a higher degree of industrialization than that in the 1930-34 period. In the course of the industrialization of Japan where shortage of natural resources is acute, the emphasis should be gradually shifted to the mechanical industry and chemical industry in which the portion to be added by technique and labor is much bigger than that of raw materials in the production price. It is because silk and cotton yarns, judging from their present marketability and the tempo of their production recovery, are not expected to regain the former scale in 1952. But, primarily this trend is what is naturally expected of Japan's economy.

"The changes in the industrial structure embodied in the outputs of respective industries as compared with those in the basic period are shown hereunder:

* SCAF records: 105,000.

	<u>Percent</u>		<u>Percent</u>
Textile industry	84	Mining industry	153
Cotton industry	85	Ceramic industry	132
Silk industry	37	Metal industry	141
Mechanical industry	202	Food industry	106
Chemical industry	215	Sundry industries	154

"2. In order to attain this much of structure and proportion, starting from the present low level of 40 percent of that in the basic period, the production must be vigorously activated year by year with great haste. In the plan the emphasis is placed on the strengthening of such basic branches of production as power and transportation for the first two years, and then in the latter half of the period when bottlenecks are expected to have been broken the expansion of production in mining and other industries are contemplated. The recovery of the mining and manufacturing productions is, therefore, scheduled as follows:

**THE RESTORATION TEMPO OF PRODUCTION
IN MINING AND MANUFACTURING INDUSTRIES**

	<u>Percent of Basic Period</u>
1947	43.2 <u>a/</u>
1948	62.8
1949	77.4
1950	94.9
1951	112.8
1952	129.4

a/ Partially estimated.

"The production level in 1952 will amount to approximately three times that at present. More conspicuous recovery is expected in the chemical industry (especially rayon and chemical fertilizer), the metal industry (especially iron and steel) and the ceramic industry than in others.

"3. Now we shall state the principal plans for different departments of industries.

"Power - The most important conditions to determine the tempo of Japan's economic restoration consists of three factors, namely--restoration of fuel and power supply, import of raw materials and increase of transportation capacity. And, if greater importance is to be attached to actual conditions in framing a rehabilitation plan it will be no exaggeration to say that the tempo of coal production restoration at once indicates the restoration tempo of general production level. In this sense the problem of coal and electric power supply may be regarded as a most important matter with direct bearings on the success of Japan's economic rehabilitation plan.

"In order to realize the production target of 44,000,000 tons for 1952 we must increase the coal production by about 15,000,000 tons over and above the estimated production in 1947. Moreover, 12,300,000 tons out of the 44,000,000 tons stated above is to be produced through the development of new coal mines and new coal fields. In order, however, that new coal mines and fields may actually produce coal, we must spend a lot of materials, funds, and labor in their preliminary stage although they will not turn out immediate results. As for quality of coal produced, we are contemplating a 6,000-calorie or 11-percent increase from the present

level in and after the fiscal year 1950. From this point alone the attainment of the target is not an easy task. In the present plan, however, it is intended to achieve the above target by giving the biggest possible preference to coal production and by mechanization of coal mining.

"For augmentation of electric power supply, we have decided on all possible measures. In the case of hydroelectric power, all available electric power resources are to be developed as quickly as possible and by the fiscal year 1952 new power plants are to be constructed at 93 places in order to increase the generating capacity in the dry season by about 970,000 kilowatts. In this connection, special importance is attached to the construction of reservoir-system power plants to prepare for the dry season.

"At present, the hydroelectric power plants in our country have a total generating capacity of about 6,000,000 kilowatts, which in the dry season is reduced to about one half, or 3,000,000 kilowatts. This decrease threatens the supply of electricity every year during the dry season. This is the reason why we have decided on speedy development of all available resources of hydroelectricity, attaching preference to the construction of reservoir-system power plants with a view to augmenting the supply of electricity during the dry season. The construction of power plants, however, cannot be completed in a short time. The best we may accomplish by the fiscal year 1952, in accordance with the present plan, will be an increase of dry-season generating power by about 970,000 kilowatts which falls far short of such increase of power supply as required to overcome the shortage during the dry season. In the meantime some restrictions are anticipated on the required increase of thermal electric power supply on account of many old power plants going to the scrap heap in the meantime. Difficulty like this cannot be overcome even when we may make the most of all the present thermal electric power supply equipment.

"Nevertheless the demand for electricity will steadily increase in keeping with the increase of production. Therefore, power shortage in dry seasons will last throughout the period under the present plan, even where strict economy is exercised of the consumption of electricity for lighting and heating at home. The supply of electricity has already risen to the prewar level. Therefore it is not impossible, we believe, for all parties concerned to take necessary measures to prevent the appearance of such circumstances as may be detrimental to further rises of production basis. This object may be attained through exercise of stricter restrictions on the consumption of electricity for any such uneconomical purpose as heating and through exercise of greater efforts to augment the supply of power by means of other fuels.

"Iron and Steel - Great increase of iron and steel production is required for the repair, replacement and modernization of important industries and transportation facilities and for the growth of machinery industry. The present plan, therefore, is aimed at the attainment of biggest production realizable under the circumstances in which our country may find herself on the completion of the plan.

"Since the immediate prospect of import of raw materials such as coking coal, iron ore, pig iron and scrap are not so favorable, our target of production for the 1952 fiscal year is fixed at 3,840,000 tons (141 percent of production in the basic period of crude steel, 2,300,000 tons (105 percent of production in the basic period) of ordinary rolled steel, and 1,800,000 tons (144 percent of production in the basic period) of pig iron. And yet these figures will be nearly five times as large as the results to be actually attained for the 1947 fiscal year.

"During the basic period steel was produced in our country chiefly by using scrap as the main material. In the present plan preference is given to an integrated operation system providing for the production of steel from pig iron, considering this system being superior in heat control and disposal of by-products. The adoption of an integrated operation system providing for the production of pig iron and steel in the present plan is usually based on our consideration of the world market shortage of scrap.

"Chemical Fertilizer Industry - The present plan in this line of industry is aimed at the attainment of self-sufficiency, and export to East Asiatic regions which are suffering from shortage of chemical fertilizers. The planned-for production of nitrogenous fertilizer in the fiscal year 1952 will be 2,050,000 tons, as calculated in terms of ammonium sulfate, while the import and export of nitrate ammonium for the same fiscal year will be about 94,000 tons (ammonium sulfate equivalent) and 120,000 tons respectively, leaving 2,024,000 tons for home supply. Of the total production of 2,050,000 tons, 1,600,000 tons will be covered by ammonium sulfate and the remaining 450,000 tons by calcium cyanamide. The productive capacity of fertilizer plants which have been so far approved to operate, will be at the best about 1,400,000 tons of ammonium sulfate and 400,000 tons of calcium cyanamides in 1952. For the production of the remaining 200,000 tons of ammonium sulfate and 50,000 tons of calcium cyanamide we are dependent on the equipments of other factories whose conversion into fertilizer works are yet subject to the permission of the Allied authorities. (Regarding the supply of fertilizers, see the item for food supply.)

"Textile Industry - The textile industry will remain the mainstay of Japan's export industries for years to come. Therefore we have attached considerable importance thereto in the present plan. Priority is accorded to cotton and chemical textile production increase and, in consideration of the speed of restoration and possible demand abroad, we have planned for the attainment of the maximum production.

"Cotton yarn production planned for 1952 is 990,000,000 pounds to be realized by installed spindle capacity of 5,850,000. For attainment of the planned production we require 2,580,000 bales of raw cotton. As much as 60 percent of the production is for export. The above-mentioned production, though falling short of the average annual production of 1930-34, is nearly twice as much as the present production. Therefore, it may be regarded as the utmost we can expect in consideration of the tempo of restoration. In the meantime it will be difficult to export a greater quantity judging from the possible demand abroad.

"The rayon production for the fiscal year 1952 is aimed at 210,000,000 pounds, of which 70 percent is for export. Staple fiber production for 1952 is planned for 160,000,000 pounds, 34 percent of which is intended for export. This means that the total production of rayon and staple fiber for the said fiscal year will amount to 370,000,000 pounds. In order to realize the planned production we require 222,000 long tons of pulp of which 182,000 long tons is obtainable at home, but the remaining 40,000 long tons must be imported from abroad.

"With regard to worsted and woolen yarn we are planning for the production of 123,300,000 pounds for the fiscal year 1952. The above-mentioned figure is nearly as high as our maximum production attained in the past, or 155,172,000 pounds. But, in consideration of its high salability, we think that we shall experience little difficulty in finding market therefor.

"Demand in the world for raw silk is considerably reduced on account of the competition with nylon. In the present plan, therefore, we are providing for the export of 270,000 bales, 37 percent of the prewar figure. Upon realization of the above-mentioned plan the home supply of textiles will be as follows:

PLAN FOR TEXTILE CONSUMPTION

Fiscal Year	Textile	Percentage	Clothing	Percentage
	Consumption Per Capita (pounds)	of 1930-34 Average	Consumption Per Capita (pounds)	of 1930-34 Average
1948	4.51	41	2.7	31
1949	5.82	53	3.8	44
1950	7.52	68	5.3	61
1951	9.13	82	6.6	76
1952	10.39	94	7.4	85

Foodstuffs - Production of staple food is planned for as follows:

PRODUCTION PLAN FOR STAPLE FOOD IN 1952

	Area a/	1952 Output b/	1930-34 Output b/	Percent 1952 of 1930-34
Rice	2,889.8 (2,865.9)	67,921 (10,188)	61,030 (9,154)	111.291
Wheat, barley, etc.	1,770.8 (1,756.2)	24,481 (3,140)	20,582 (2,791)	118.9
Sweet potatoes	454.2 (450.4)	1,585 (5,944)	898 (3,361)	176.5
Irish potatoes	293.6 (291.2)	820 (3,106)	299 (2,121)	274.2

- a/ The first figures are thousands of chobu and the figures in parentheses are thousands of hectares.
- b/ For rice, wheat and barley the first figures are thousands of koku and the figures in parentheses are thousands of metric tons. For sweet and Irish potatoes the first figures are millions of kan and the figures in parentheses are thousands of metric tons.

"As to the measure for increased production of foodstuff in the future, none will oppose the contention that as an ideal, change should be made from the present intensive farming conducted on a small scale by family labor to a mechanized farming and livestock farming. Unfortunately, however, ideals do not always coincide with reality. For some years to come it will be impossible to supply an adequate amount of materials to agriculture as the industry will not recover to such a state as to permit the supply of those materials, nor will it be possible to have the surplus labor absorbed by other industries. Therefore the plan is based on the prospective increase of production by encouraging livestock farming in a few years hence when improvement in the world's supply of fodder is materialized, and by increasing supply of fertilizer, improving of soil and reclaiming of land. Incidentally, the plan is laid for enough production and imports of fertilizer to meet

the entire demands fully in 1952. Under this plan the principle of placing main emphasis on cereals and starch, which has been followed since during the war, is not entirely relinquished because of shortage in funds for imports. This trend, however, should be gradually rectified and the course must be taken in the direction of a capitalistically intensive method which includes livestock farming.

"If, in addition to the aforementioned production, the imports shown in the following table be possible, the per capita intake of food of the nation per day will be as shown in the next table.

PLAN FOR IMPORTS OF FOODSTUFFS
(thousand of metric tons)

	1948	1949	1950	1951	1952
Staple food <u>a/</u>	2,014	2,231	2,005	2,051	3,980
Fats and oils material except soybeans	200	316	326	336	386
Soybeans	250	291	327	391	441
Sugar	5	304	351	341	349
Fats and oils	14	15	34	34	34

a/ In unmilled wheat equivalents; excludes potatoes.

STANDARD PER CAPITA INTAKE OF FOOD PER DAY

	Calories <u>a/</u>		Protein (grams)	Animal Protein (grams)	Percent Animal Protein of Protein
	Over-all	Cereals and Potatoes			
1930-34	2,242 (100)	1,840 (100)	66.7 (100)	11.7 (100)	18
1948	1,719 (77)	1,541 (84)	51.9 (84)	7.9 (78)	15
1949	1,848 (82)	1,605 (87)	55.3 (83)	8.9 (76)	16
1950	1,895 (85)	1,623 (88)	58.0 (87)	10.4 (89)	18
1951	1,934 (86)	1,644 (89)	61.0 (91)	11.5 (98)	19
1952	2,111 (94)	1,801 (98)	69.0 (103)	12.9 (110)	19

a/ The numbers in parentheses represent the percentage of the 1930-34 average.

"The per capita daily intake of food in the period 1930-34 was 2,242 calories. In 1948 it will be 1,719 calories or 77 percent of that in 1930-34; and in 1952 it is expected to reach 2,111 calories and recover to 94 percent of the average caloric intake of 1930-34. Nevertheless it may be considered to have reached the standard caloric intake usually required for the average Japanese from the dietetic point of view. As to protein, of which the average per capita daily intake was 66.7 grams in 1930-34, the plan anticipates 69 grams, meaning an improved combination in food consumption.

"The ration for the average urban inhabitants is shown in the following table:

PER CAPITA CALORIC INTAKE OF RATIONED FOOD PER DAY

<u>Rice Year a/</u>	<u>Calorific Value of all Rationed Food</u>	<u>Calorific Value of Staple Food Only</u>
1947 (the latter half)	1,317	1,246
1948	1,340	1,246
1949	1,532	1,386
1950	1,555	1,386
1951	1,611	1,436
1952	1,744	1,453

a/ November of preceding year to October.

"It is 1,340 calories in the rice year 1948, but the figure is expected to be raised to 1,744 in 1952. The plan anticipates the rations of 2.5 go in 1948, 2.8 go in 1949 and 1950, 2.9 go in 1951 and 3.0 go of polished rice, wheat and barley in 1952 (one go equals 0.33 dry pint). The remarkable increase of import of staple food in 1952 compared with that of the previous year is due to the fact that potatoes will be excluded from the rationed staple food and classified as supplementary food, so that rationed staple food will be composed of rice, wheat and barley.

"Foreign Trade - The export trade of Japan needs a speedy development in the future. Our land is poor in resources, and even before the war we used to depend on imports for a good portion of our requirements in food and industrial raw materials. This tendency will become more important because this country has lost colonies and the population is increasing. For instance, in the basic years the annual imports of staple food amounted to 1,800,000 tons, including those imported from colonies, but to achieve the rationing of three go of staple food in 1952, we shall have to import 4,000,000 tons annually. Besides, for a stabilized economy, imports of 2,580,000 bales of cotton, 650,000 bales of wool, 2,030,000 tons of iron ore, 9,000,000 koku of timber, 5,000,000 tons of coal and 1,870,000 tons of salt are needed in 1952. The payment of these raw materials alone amounts to about \$ 1,000,000,000 by present dollar value.

"However, the export at present is at a low level of only 10 percent of that in basic years, and foodstuffs needed even for the 2.5 go rations are now being imported at the expense of the people of the United States.

"We have to ask for a considerable amount of foreign aid during the period of rehabilitation since we are in such condition that we cannot reconstruct our economy without large imports of food and industrial materials in spite of the poor export capacity.

"The recent reports on U. S. policy toward Japan indicate that our hope will not be in vain. This circumstance, however, cannot be expected to continue indefinitely. We, therefore, have to make our economy self-sufficient by increasing our capacity for export tenfold during the time we can expect the economic aid of foreign countries. Thus the plan has in view the achievement of exports commensurate with enough imports of raw materials for industry and of food to enable us to maintain in 1952 the living standard kept in the basic periods.

EXPORT PLAN FOR 1952

	Value (millions of dollars)	<u>Amount</u>
Textiles	906	
Cotton products	485	542,000,000 pounds
Rayon and staple fiber	213	169,000,000 pounds
Raw silk and silk goods	64	200,000 bales <u>a/</u>
Manufactured woolen goods	88	38,000,000 pounds
Machinery	334	198,000 metric tons
Miscellaneous goods	64	
Chemical goods	54	
Processed foodstuffs	38	
Canned goods	23	3,000,000 cases
Agricultural, forestry and aquatic products	35	
Paper	46	198,000,000 pounds
Rubber goods	19	8,600 metric tons <u>b/</u>
China and earthenwares	37	100,000 metric tons
Glass	23	
Sheet glass		600,000 cases
Other glass manufacturers		10,000 metric tons
Others	<u>67</u>	
Total	1,646	

a/ Silk goods given in raw silk equivalents.

b/ In terms of raw rubber used.

"It is by no means an easy task to accomplish the goal set by the plan. Firstly, while most of our export depends on trade in processing of imported materials, we do not have enough materials for it because of difficulties in importing raw materials owing to the lack of foreign currencies. Secondly, there are bottlenecks of production everywhere, such as the shortages of power and transportation facilities which cause obstruction in raising productive activity. Thirdly, there is deficiency in productive capacity. Especially the equipment capacity of the textile industry, which is the mainstay of our export, has diminished remarkably compared with the prewar years. Fourthly, the economic recovery of the various countries in the Far East which are principal markets for our export is progressing very slowly, and the purchasing power of the Far East is exceedingly limited. Fifthly, trade is naturally inclined to be carried on under a barter system or clearing agreements, because the settlement of accounts is difficult owing to the restriction of a free exchange of currency of the various countries which this country may acquire.

"Sixthly, our export can be expected to be maintained, for the time being, even at the high price of our goods, in view of the worldwide shortage of commodities, but it is greatly feared that they may become much dearer in comparison with the international prices, if the present condition of low productivity of labor in our country continues in the future.

"The circumstances are such that it would become necessary that the production level should generally be raised and, besides, the industry be modernized and the markets in the Far East be regained, in order that our export industry may be developed rapidly.

In order that our merchandise gain a good reputation in the world market it is a matter of urgency to exert our efforts to improve merchandise substantially and strictly to prevent disqualified goods from being exported.

"What distinguishes the export industry of our country from that of the prewar period is that the export of raw silk, which was a primary element in our export industry at that time, will be diminished and replaced by the export of machinery. The export of raw silk during the period 1930-34 amounted on an average to 510,000 bales a year, but we cannot expect to export more than 100,000 bales of raw silk and approximately the same quantity of silk fabrics even in 1952, because we cannot expect that the amount of its sale in the United States, which was the chief market, will be the same as that of the prewar period.

"It is planned that export of machinery be increased approximately 10 times compared to the basic period. This increase is planned because machinery is increasingly demanded in the foreign markets, and because its export is not only necessary for economic recovery and the industrialization of the countries in the Far East, but also it is most suitable for our export industry, in view of the special circumstances of our country where there are few natural resources and a large laboring population. It seems, therefore, that the importance of trade with East Asia, which was overwhelmingly preponderant before the war, would be more accounted for in the future. Although a position which textile goods held in export trade should gradually be replaced by machinery and chemical goods, the former would still occupy 50 to 60 percent of the total amount of our export for several years to come, because the industries of the countries in East Asia are still in a low grade of development and the amount of production of the latter in our country will not yet be sufficient. It is estimated in this plan that the amount of export of textiles and machinery only may comprise 75 percent of the whole amount of our export in the fiscal year of 1952. In the following table is shown percentage of each type of merchandise in our export trade, which will amount to \$ 16,400,000,000 in the final year of the plan.

	<u>Percent</u>
Textiles	55.0
Machinery	20.2
Miscellaneous goods	3.8
Chemical and medical goods	3.5
China, earthenware and glass products	3.6
Canned goods and processed foodstuffs	3.7
Agricultural, forestry and aquatic products (including timber)	3.4
Paper	2.7
Others	4.1

"Transportation and Communications - It is planned that transportation facilities be repaired, replaced and renovated in the early stages of the planned period so that the increase of production activities may be accelerated in the later stages. However, it is impossible to rehabilitate them perfectly even after five years, for the reason that they have been too damaged and worn out by abusive use during the war to be rehabilitated with the materials which can be newly invested. Consequently, in the case of railways, it is planned that a new project should not be launched, in principle, except for electrification, but materials be solely allocated for repair and recovery.

"As for marine transportation, it is planned that a merchant fleet amounting to 1,000,000 gross tons will have been built during the five years of the plan. But it is estimated that it will require considerable time after 1952 before we can acquire 4,180,000 gross tons, which is stabilization size of our marine transportation. We are aiming, as a fundamental policy of transportation, at the returning to the normal condition by means of gradually adopting a system of carrying by ship cargoes of weighty volume and long distance instead of transporting them on land as we were forced to do during the war. Accordingly, we have planned the degree of increase in transport capacity within the country as follows:

RATE OF INCREASE IN TRANSPORT CAPACITY WITHIN THE COUNTRY

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
Steamships	100	128	149	167	186
Sailing vessels with engines	100	108	114	123	134
Railways	100	110	119	129	137

"According to the above fundamental policy, the amount of goods to be transported by railways is calculated as follows:

AMOUNT OF GOODS TO BE TRANSPORTED BY RAILWAYS a/

	<u>Tonnage of Goods to be Transported (thousands of metric tons)</u>	<u>Ton Kilometers to be Transported (thousands of met- ric ton kilometers)</u>	<u>Meterage per Metric Ton (kilometers)</u>
1948	130,000	26,650,000	205
1949	142,900	29,002,700	203
1950	154,900	31,134,900	202
1951	167,100	33,252,900	199
1952	177,500	34,967,500	197

a/ Above amounts are calculated by establishing the requirements for railway transportation and adjusting them by the railway transporting capacity.

"The distance of transportation per ton will be shortened by two kilometers every year until it will be reduced to 197 kilometers in 1952. Compared with the average of 170 kilometers in 1930-34, it shows that there will still remain the necessity to transport for fairly long distances. Owing to the increase in transportation tonnage and ton kilometers, and insufficient recovery of operation efficiency of freight cars, the necessary number of freight cars in 1952 is estimated to be 180 percent (121,000 cars) of that of the basic period. Every effort was made to effect a maximum operation within the limit of allotted materials, but we have come to a conclusion that it is impossible for the Government Railways to meet fully the demand for the coming several years. Thus we are to carry out controlled transportation so that the transportation of priority goods may be carried out fully.

"Note: An increase of transportation by truck will be required in accordance with the railway transportation increase and the burden on railway transportation may be partly shifted to the truck transportation. Thus, importance of road transportation by trucks is expected to be increased. The road transportation problem will be studied later in connection with the prospect of import of gasoline and crude rubber for tires.

"Shipbuilding - Shipbuilding is planned amounting to 1,000,000 gross tons (1,500,000 dead-weight tons) in five years, including cargo ships, passenger-cargo ships and oil tankers. As a result, the capacity for transporting goods is as follows:

MONTHLY AVERAGE CARGO SHIPPING TONNAGE a/
(thousands of gross tons)

	Existing Vessels and Wartime		Total
	Standard Vessels	New Building	
1948	955	81	1,036
1949	1,020	260	1,280
1950	1,000	455	1,455
1951	944	638	1,582
1952	890	830	1,720

a/ Figures represent the monthly average of cargo ships and do not represent registered tonnage

"The amount to be transported in this program is as follows:

AMOUNT TO BE TRANSPORTED BY SEA
(thousands of tons)

	Coastal Transportation				Overseas Transportation			Total
	Cargo Ships (Including Cargo Pas- senger Ships)	Sailing Ships With Engines	Oil Tankers	Total	Imports	Exports	Special Transportation (Military Cargo)	
1948	11,311	27,600	2,000	40,911	9,907	1,771	720	53,309
1949	14,344	29,739	2,500	46,583	14,674	2,043	180	63,480
1950	16,875	31,492	2,800	51,167	17,995	2,472	-	71,634
1951	18,932	34,024	3,200	56,156	21,453	2,946	-	80,555
1952	20,924	37,012	3,600	61,536	25,273	3,392	-	90,201

"According to this program the fundamental principal is to transport long-distance heavy goods by sea, taking into consideration the ship building plan. Thus, in five years, coastal cargo transportation will be about doubled, while transportation by sailing ships with engines will increase 34 percent. Among coastal cargoes coal is preponderantly large in amount, comprising 68 percent of the amount transported by cargo boats and 18 percent of that by sailing ships with engines in 1952.

MONTHLY AVERAGE ALLOTMENT OF CARGO VESSELS a/
(thousands of gross tons)

	<u>Coastal Trade</u>	<u>Neighboring Sea Trade</u>	<u>Distance Sea Trade</u>	<u>Total</u>
1948	660	376	-	1,036
1949	765	484	31	1,280
1950	796	585	74	1,455
1951	835	645	102	1,582
1952	865	750	105	1,720

a/ Cargo ships only.

"As a principle of allotment, priority is given to the coastal lines, and neighboring sea lines are considered next with the carrying ratio of 80 percent for China, Saghalien and Korea lines and 50 percent for others. Only a portion which we can spare is allotted for distant sea lines. Although in 1949 and after, some cargo ships can be spared for distant lines, these will only be a drop in the bucket compared with the enormous amount of distant sea trade. Seeing that proper service of marine transportation is overseas voyages shipbottoms may still be considered short.

"As a temporary measure in order to lessen the burden of freight charge in foreign currencies and increasing employment of seamen, it will be necessary to request the chartering of foreign shipping. Therefore this program estimates chartering 500,000 to 1,000,000 gross tons.

"It is planned here to promote the rehabilitation of port equipment, mechanization of loading and unloading and increase of barges and tugboats in order to increase the transportation capacity and reduce the transportation expenses to cope with the increase of amount for transportation.

"Communications- It is planned to handle 4,800,000,000 ordinary posts and 65,000 thousand parcels in 1952. Compared with 1930-34, the postal handling per capita is 87 percent in ordinary posts and 86 percent in parcels, and the service condition is planned to recover the level of 1930-34.

"(1) Electrical communication.

- (a) City telephone: 900,000 will be recovered and newly set during the planned periods, so that the total number of the telephones will be 1,690,000 by 1952.
- (b) Private telephone: 430,000 will be recovered and newly set so that the total number will be 760,000 by 1952.
- (c) Long-distance telephone: 1,040,000 kilometers of line will be recovered and newly set to improve the service.
- (d) Telegraph: Telegraph service will be recovered to the level of 1930-34 by 1952.

- (e) Wireless: It will be increased both for international and internal service. (The latter is for the measure against natural disaster.)

Construction for Rehabilitation

"In order to attain the rehabilitation targets stated above in such fields as mining and industry, food production, foreign trade, transportation, etc., various equipments and facilities have to be rehabilitated. In order to raise labor productivity, residence and other facilities for public safety, public health, etc., have to be rehabilitated. Furthermore, the conservation of land which is being devastated almost day by day at an ever increasing tempo is a matter of great urgency. Therefore, our future construction works have to aim at the fullest utilization of our land and natural resources when a greater population is packed into the reduced land. We must coordinate such constructions as facilities for electricity, which is essential for the rehabilitation of basic industries; such facilities of primary industries as the agricultural, aquatic and forestry industries; such transportation facilities as railways, ports, highways and communications; such facilities as residences, hospitals and educational organizations; city planning; and such facilities for land conservation as river and sand prevention.

"However, it is almost impossible to complete all of these rehabilitation constructions within such a short time even if foreign aid for this purpose is taken into account. Therefore, we are to carry out in this plan those constructions, one by one, corresponding to each stage of economic recovery, which are essential for establishing the basis of an expanding production. In this five-year plan we are trying to lay a foundation for recovery and not to carry out all construction works expected to be necessary for becoming a cultural state.

"To be more precise, the outlines of work planned for in various sections for the coming five years stand as follows:

"Electric Power - As mentioned before, plans are made for the new establishment of 93 hydroelectric power stations and three thermal power stations and reconditioning of the distribution system.

"Agriculture (including forestry and fishery) - Plans are made for the reclamation of 560,000 chobu (555,200 hectares) of land, drainage of 260,000 chobu (257,920 hectares), improvement of 2,690,000 chobu (2,668,480 hectares) and the laying out of new forestry of 1,840,000 chobu (1,825,280 hectares) with necessary road construction for lumber transportation as well as for creation of new fishing ports and mooring-bands with a view to increase by 30 percent present capacity of fishery facilities.

"Transportation Facilities - In accordance with the overall transportation program the railway equipment will be rehabilitated as well as the electrification of the 1,200 kilometers of the trunk lines in order to conserve coal and increase the transportation capacity. With regard to rehabilitation of ports, plans are made for maintenance and renovation of port facilities by giving priority to ports for foreign trade and coal transportation. Key industries are given priorities in connection with communications and road construction.

"Land and River Conservation Work - Plans are made for riparian and sand-prevention engineering with a view of eliminating danger from the area of 220,000 chobu (218,240 hectares) which is calling

for urgent attention, and for the improvement of waste land and damage prevention forestry, which also requires immediate care.

"Housing - The shortage of houses up to the end of 1947 numbered 3,700,000, which is planned to be fulfilled in 15 years. A program is adopted to build 2,000,000 houses in the planned period. Stress is laid upon public dwelling houses for the workers and clerks engaged in key industries, and upon houses for settlers on farms.

"Employment - One of the postwar economic troubles in our country is striking disparity between production and labor employment.

"Mining and industrial production hangs as low as 40 percent of the standard years, while labor employment maintains the same or even higher percentage. That means productivity of labor is generally very low and not exceeding 40 percent of the standard years. In all about 4,000,000 are estimated to be unemployed including potential unemployed. Naturally under the circumstances our aim should be directed toward the speedy recovery of labor productivity and, if possible, the realization of full employment.

"The only way open in the realization of these two seemingly contradictory aims could be sought only in the enhancement of production activities. Supposing that the real income of the people in 1952 is in the level of 120 percent of 1930-34, and if labor productivity is raised to 90 percent of the standard years, the number of unemployed is anticipated to be somewhere near 2,000,000. The following table gives the employment scheme, classified according to industry, with the aforementioned industrial structure and composition.

NUMBER OF PEOPLE SEEKING EMPLOYMENT AND THE NUMBER EMPLOYED
(thousands)

	<u>1930-34</u>	<u>1948</u>	<u>1950</u>	<u>1952</u>
Number of people seeking employment	31,179	36,395	37,871	38,978
Number employed	29,716	32,584	35,004	36,983
Agriculture	14,190	16,216	16,613	16,863
Fishery	575	661	707	742
Mining	304	503	512	519
Manufacturing industry	4,641	4,279	5,565	6,386
Engineering and building industry	1,394	1,538	1,887	2,076
Transportation and communications	1,171	1,633	1,696	1,758
Commerce	4,717	4,576	4,840	5,449
Public service and professions	1,828	2,325	2,329	2,333
Others	896	853	855	857
Without occupation	35,160	43,595	43,747	43,994
Unemployed	1,508	3,811	2,867	1,995

"At this juncture the most important problems are whether labor productivity will show such an upward tendency as anticipated and how to relieve the unemployment situation in the passing period. The enhancement of labor productivity is co-relative to the rise

of the standard of living. At any rate, at the time when every country of the world lays the greatest stress upon the enhancement of productivity through modernization--the central proposition relative to the Monnet Plan in France is modernization--there is every necessity to expedite the upward movement of labor productivity if we would prevent the reappearance of "hunger export" as in the past. In the present program we propose to see yearly five to nine percent increases of labor productivity, by virtue of modernization of industries (especially of the export industry), the raising of efficiency consequent upon the increase of the working rate and by strenuous attentiveness actuated by the will to work. Judging from the actual achievement of the past and the allocation of materials for equipment, it is by no means easy to carry our proposition into effect, but without realizing it, the raising of standard of living would be but an empty dream. The problem of unemployment is so universal in these days that there is out little occasion to comment upon it at any length. This is one of the greatest problems that had been harassing our people even from the prewar times.

"At present the unemployment problem is hidden under the shadows of inflation and not so serious superficially, but once these veils of inflation are taken off it is certain that this will become once again the greatest source of trouble for our country. In this plan, the same percentage of unemployment as in 1930-34 (2.4 percent of the whole population) is anticipated in 1952. Needless to say, unemployment is by no means desirable but if its percentage is such as mentioned above the Government can almost absorb it through measures against unemployment. The problem is now to relieve the unemployed persons, estimated at three or four million, during the period of transition. The Government, despite its scanty financial resources, intends to absorb a surplus population of two million chiefly through unemployment insurance and public works.

National Income

"The following table represents the above various plans all-inclusively in terms of the real production national income which is the concrete expression of production level and livelihood level, showing the annual tempo of recovery and the structure of economy. The real national income is the annual income of producers of goods and services, computed by the same price as the basic period.

ESTIMATED REAL PRODUCTION NATIONAL INCOME
In terms of the 1930-34 Average Prices a/
(millions of yen)

<u>Item</u>	<u>1930-34</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
Agriculture, forestry and aquatic industries	2,225	1,727 (78)	1,890 (85)	2,016 (90)	2,137 (96)	2,240 (101)	2,327 (105)
Mining and manu- facturing in- dustries	4,224	2,221 (52)	2,928 (69)	3,521 (83)	4,056 (96)	4,681 (111)	5,172 (123)
Subtotal of primary and secondary industries	6,449	3,948 (61)	4,818 (75)	5,537 (86)	6,193 (96)	6,921 (104)	7,499 (116)

<u>Item</u>	<u>1930-34</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
Transportation	862	1,220 (142)	1,352 (157)	1,482 (172)	1,615 (187)	1,756 (204)	1,878 (218)
Commerce	2,494	1,771 (71)	2,095 (84)	2,394 (96)	2,669 (107)	2,919 (117)	3,190 (128)
Public service, liberal profes- sions and other derivative income	2,347	1,587 (68)	1,691 (72)	1,836 (78)	1,963 (84)	2,095 (89)	2,259 (96)
Total of tertiary industries	5,703	4,578 (80)	5,138 (90)	5,712 (100)	6,247 (110)	6,769 (118)	7,327 (128)
Total	12,284	8,526 (69)	9,956 (81)	11,249 (92)	12,440 (101)	13,690 (111)	14,828 (121)
Amount per capita	185	109 (59)	124 (67)	139 (75)	152 (82)	166 (90)	179 (97)

a/ The figures in parentheses are the percent of the 1930-34 average.

"According to this table the tempo of annual economic recovery is around 10 percent and shows a comparatively regular recovery. To achieve this the problems of shortages of transportation and power capacity and inflation must be solved at the initial stage of the planned period, and the conditions abroad must make a favorable turn. Speaking of industrial structure, it is noticeable that the tempo of development of the so-called primary industries, that is, the agriculture, forestry and aquatic industries, is comparatively slow and that of mining and manufacturing industries is considerably more conspicuous. This is the natural outcome of giving weight to the manufacturing industry, showing the direction toward which our economy should proceed.

"Although the 1947 national income per capita is only 59 percent of the basic period income and 67 percent in 1948, it recovers to as much as 97 percent after five years. If progress is made at this rate, in 1953 it will certainly reach 100 percent. The gross national products, which are the addition of national income and the depreciation required for the production, represent the total amount of the goods and services produced domestically during that year. These goods and services are applied, in the expenditure field, to the individual consumers' expenditure, to private capital formation (industrial investment), to financial expenditure and to net foreign investment ("plus" in case of exports excess, and "minus" in case of imports excess) and their total is the "gross" expenditure. Such balance of supply and demand of goods and services, including foreign aid, has a significance in national economy and is an index for judging the disinvestment of the accumulated capital. However, since the plans for investment, and the plans for financial expenditure are not completely studied in this plan, the consumer expenditures by individuals, which was the material base of computation, according to the consumption plans of foods and clothing, is shown in the following table. Recovery of consumer expenditures by individuals is 112 percent against the recovery of national income level to 121 percent. Recovery of consumer expenditures per capita is ninety percent against recovery of per capita income to 97 percent. Thus the recovery of consumption is planned to be slightly delayed.

ESTIMATED CONSUMER EXPENDITURES
(millions of yen)

	1930-34 <u>Average</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
Individual consumer expenditures	8,598	6,835	7,506	8,313	8,941	9,628
Index	100	79	87	97	104	112
Consumer expenditures per capita	129.6	85.4	92.8	101.8	108.6	116.0
Index	100	66	72	79	84	90

"The balance of the individuals' consumption in the above table and the national income in the preceding table is the surplus power to be applied to the industrial investment and governmental finance. The surplus power is planned to increase in the latter part of this plan because the increase of individual consumption is set in slower pace than the increase of income.

"In short, the recovery of national income to 121 percent of the basic period is not at once applied to the raising of the national standard of living. The increase of investment is given more weight than the recovery of the individuals' standard of living.

"This is the very first phase of the economic rehabilitation plan.

Conclusion

"The above are the principal contents of the first draft of the five-year plan for our economic recovery. A perusal of this report reveals that the way of our economic recovery is long and steep. In order that the present plan be realized, these increases of various items, as mentioned below, must be realized for 1952 as compared with the present conditions (actual result of 1947):

More than a threefold increase in the production of mining and manufacturing industry.

Ninefold increase in export.

More than threefold increase in import.

Twofold increase in labor productivity.

Twofold increase in the actual national income.

For this purpose, the above-mentioned various preconditions must be successfully solved. Of course, the actual situation is brightening gradually, but it is too much to say that the conditions necessary for realizing the plan in its entirety are being materialized, be it the control of inflation, or the economic recovery of East Asia, or the improvement of labor efficiency.

"As pointed out above, there is still much left to be done by both the Government and the people in order to realize this economic rehabilitation plan. What is the most important for us Japanese people is to have a will to reconstruct our economy by our own efforts and to carry it out vigorously. Without our own self-willed efforts, no foreign aid can be expected to help us

succeed, or rather we should not expect it. However far the way of our self-willed recovery may be, it is up to us to take a first step towards the height of our ideal.

In presenting this first draft plan the Government desires to make clear the ideal and motive with which it has worked it out and earnestly hopes careful perusal and cooperation for its improvement."

LOCAL GOVERNMENT

National Conference of Town and Village Heads

28. A two-day national conference of heads of towns and villages opened in Tokyo 13 May, the first such conference since the conclusion of the war. Prime Minister Ashida and other cabinet ministers delivered addresses.

The Prime Minister stressed that Japan has achieved some progress in economic rehabilitation, and pledged his administration's full effort in hastening national and local reconstruction. He urged wholehearted cooperation by all segments of the population and declared that if the Government's efforts failed to win the support of the people it would resign.

29. The conference adopted the following resolutions:

- (1) In cooperation with the Government, all mayors and village heads will exert their utmost efforts to increase food production, aiming at an increase of 10 percent. The Government should take positive measures for increasing food production, such as promotion of production of fertilizer, its timely distribution, procurement of other agricultural necessities, adjustment of rice prices, widespread electrification of agriculture and rationalization of taxation upon agricultural income so that a system of self-sufficiency for foodstuffs may be achieved in the near future.
- (2) The national treasury is to provide funds for the enforcement of the 6-3-3 educational system.
- (3) To harmonize national welfare with local administration an agency should be established in the cabinet for better liaison with local governing bodies.
- (4) To establish local finance on a sound basis the Government should consolidate the independent finances of local self-governing bodies by instituting radical reforms in local administration and finance and by effectuating the projected plan for the reorganization of the local tax system.
- (5) Local branches of central agencies should be reduced.
- (6) The Government should establish a Ministry of Construction to assure complete control over floods and other natural calamities and conservation of forests.

30. At the conclusion of the conference the Government announced that it planned to hold conferences of mayors of cities

as well as prefectural governors' conferences from time to time in order to maintain direct liaison between national and local government agencies.

Local Finance Budget

31. The cabinet disagreement on the local finances budget was resolved 27 May when the Ministry of Finance and the Local Finance Committee compromised their month-long differences. Ministry of Finance officials, fighting to balance the national budget, strongly opposed the measures proposed by Minister of State Masaru Momizo, Chairman of the Local Finance Committee, to make up local deficits by tapping national revenue sources, to exempt from taxation farmers who fulfill their delivery quotas, and to create a natural calamity fund and a Finance Bank at the local level by pooling funds from central and local agencies.

The attitude of the members of the Local Finance Committee was so strong on these proposed measures that mediation by the Economic Stabilization Board was rejected.

32. At a cabinet meeting 27 May the two contending sides accepted a compromise plan providing that (1) admission tax would be transferred to local governments as the Local Finance Committee had urged; (2) imposition of the agricultural enterprise tax on staple food was rejected as were nonrestricted taxes; (3) deficits in revenues would be covered by a drastic increase of property, residence and similar taxes; and (4) about ¥ 7,000,000,000 would be advanced on a priority basis by the central government.

The Cabinet agreed to submit the bills for local taxes and finance to the Diet in the first week of June for enactment by 1 July. The bills provide for expenditures and revenues amounting to ¥ 199,700,000,000.

THE DIET

Bills Introduced

33. The following bills were introduced into the Diet in the period 25 April to 25 May:

Bill to Regulate Political Contributions and Expenditures	30 April
Bill for Compensation, etc., of Judges	1 May
Bill for Salary, etc., of Public Procurators	1 May
Bill Concerning Graveyards, Burials, etc.	1 May
Bill Abrogating Regulations for Import and Export of Animal Meat	5 May
National Government Organization Bill	10 May
Economic Investigation Board Bill	15 May
Bill for Merger of Physical Institute for Radio Waves and Electrotechnical Laboratory	17 May
Bill Administering Law for New Pay	19 May
Bill Amending Law 176 (1947): Farm Land Development Works	19 May
Bill Regulating "Fuzoku" Business	22 May
Bill Amending Foodstuffs Special Account Law	24 May
Bill for Temporary Measures for Higher (Service) Examination Commissioners and Ordinary (Service) Examination Commissioners	24 May
Bill Amending the Administrative Offices Law	25 May
Juvenile Guidance Bill	25 May

Laws Enacted

34. The following bills were enacted into law in the period 25 April to 25 May:

Daylight Savings Time Bill	28 April
Bill for Temporary Measures Pending Enforcement of National Government Organization Law	30 April
Minor Offense Bill	30 April
Bill Amending the Gold Fund Special Account Law	1 May
Small Denomination Notes Disposal Bill	1 May
Bill Amending Law for Filing April Provisional Tax Return	1 May
Bill Establishing a Special Account for Special Measures of Unjustly Possessed Materials	1 May
Bill for Payment of Tobacco Premiums Issue by the Government	1 May
Bill Amending Law No. 18 (Transfer of Funds)	1 May
Supplementary Budget No. 2 for Provisional Budget for General Account, 1948-49	1 May
Supplementary Budget No. 1 for Provisional Budget for Special Accounts, 1948-49	1 May
Bill No. 2 Amending the Local Autonomy Law	1 May
Bill for Payment in Registered National Bonds for Value of Unjustly Possessed Materials	1 May
Bill for Administrative Execution by Proxy	6 May
Bill for Revision in Fixed Price of Manufactured Tobacco (Shinsei Cigarettes)	7 May
Bill for Sum of Fees for Registration of Families	21 May

Committee Chairmanships

35. The following individuals were appointed 6 May to fill vacancies in standing and special committee chairmanships in the House of Representatives:

Standing Committee chairmanships:

Budget	Mosaburo Suzuki (Social Democrat)
Agriculture and Forestry	Ryoji Inoue (Social Democrat)
Labor	Shikaichi Yasuhira (Social Democrat)
Justice	Seichi Ii (Social Democrat)
Discipline	Mikiji Mori (Social Democrat)
State Land Planning	Katsuichi Nakajima (Democrat)
Culture	Hanji Ogawa (Democrat)
Welfare	Iwao Yamazaki (Democrat)
Marine Products	Akira Magoshi (Democrat)
Commerce	Kyohei Horikawa (Democrat)
Library	Kozaemon Kimura (Democrat)
Audit	Kazuhiko Matsubara (People's Cooperative)
Communications	Naosaku Doi (Social Democrat)

Special Committee chairmanships:

Political Party Law	Kanemitsu Yoshikawa (Social Democrat)
Repatriation	Yoshimitsu Kawano (People's Cooperative)

By-election

36. Buichi Oishi, Democratic Liberal, and Seijiro Takahashi, Democrat, were victors in a by-election held in Miyagi Prefecture 21 May to fill two vacancies in the House of Representatives.

Utsi won 59,072 votes and Takahashi won 42,901. The runner-up was Toshio Sato, People's Cooperative, with 19,959 votes. A total of 59.6 percent of the electorate went to the polls.

BUDGET ACTION

Provisional Budget for June

37. In anticipation of the difficulties in compiling the over-all budget for the 1948-49 fiscal year, the Cabinet completed a provisional budget for the month of June providing for revenues and expenditures of ¥ 25,800,000,000 for the General Account Budget. The Special Accounts Budget provided for revenues of ¥ 57,623,000,000 and expenditures of ¥ 56,662,000,000.

The June provisional budget, formulated as Supplementary (or Revised) Provisional Budget No. 3, General Account, 1948, and Supplementary (or Revised) Provisional Budget Special No. 2, Special Accounts, 1948, was presented to the Diet 14 May and passed 28 May.

General Budget Conferences

38. Meanwhile, cabinet deliberations on the General Budget continued in the face of disagreement over the rates of increase in transportation and communications charges.

At the conclusion of a conference of cabinet ministers concerned with economic affairs 8 May the following points concerning the budget were agreed upon:

- (1) Every effort should be made to maintain the budget of ¥ 370,000,000,000.
- (2) The balance of the railway and communications accounts should be maintained by raising the rates 3.5 and 4 times respectively, but loans from the Bank of Japan would be necessary temporarily to balance the railway account.
- (3) The amount of price subsidies should be fixed at ¥ 53,000,000,000 which would be divided among the iron and steel, coal, fertilizer, soda and non-ferrous metals industries and 10 public utilities.

The economic ministers decided to limit public works expenses to ¥ 41,000,000,000 and to postpone discussion concerning appropriations for the 6-3-3 educational system and for rehabilitation of disaster damage. Since the issue of suspending interest payment on war bonds had not been decided, ¥ 3,500,000,000 for such payments was included in the ¥ 9,600,000,000 to be allotted to public bond expenses. Included in the economic ministers' plan was ¥ 18,000,000,000 of the Government's investment in the Reconstruction Finance Bank to repay the loans made from the Bank of Japan for that purpose. To fill the gap in the revenue caused by the reduction of the wage income tax, ¥ 30,000,000,000 of the projected transaction tax, scheduled to be collected after July, was included in the ¥ 250,000,000,000 of tax revenue. An increase of tobacco price was considered and the profits from the monopoly were estimated at ¥ 80,000,000,000.

39. The outlines of the budget were detailed as follows:

Expenditures

Public works	¥ 41,000,000,000
Price subsidies	53,000,000,000
Funds to be transferred to local government	30,000,000,000
Investment in Reconstruction Finance Bank	18,000,000,000
Other items	<u>228,000,000,000</u>
Total	¥ 370,000,000,000

Revenues

Taxes	¥ 250,000,000,000
Monopoly profits	80,000,000,000
Payment by the Bank of Japan	2,000,000,000
Revaluation profits	15,000,000,000
Charges for allocation of basic materials	2,000,000,000
Other items	<u>21,000,000,000</u>
Total	¥ 370,000,000,000

Cabinet Deliberations

40. With the completion of this draft, Chief Cabinet Secretary Tomabechi announced that the Cabinet would conclude its budget deliberations and make the necessary adjustment of figures 11 May, and Prime Minister Ashida told the press that presentation of the budget bill to the Diet would not be delayed later than 19 May. The Prime Minister explained that the government parties had reached agreement on basic issues and that current negotiations concerned "technical problems" only.

On 10 May the Cabinet tentatively approved a revised budget draft listing total revenues as ¥ 373,537,000,000 and total expenditures as ¥ 373,374,000,000. It was announced that these figures would be subject to further change before the Cabinet gave its final approval and before submitting the bills to the Diet.

At this meeting Ministers Kitamura and Kurusu explained the special accounts for government railways and communications as follows:

- (1) The special profit and loss accounts for railways and communications would not include expenses for depreciation, national loans, debt-retirement funds and administrative expenses.
- (2) In compiling these special budgets the Government would be obliged to raise railway and postal charges in addition to resorting to disposition of surplus articles and rationalization of management. Efforts would be made to convince the people that such action was justified.
- (3) Deficits which cannot be covered by an advance in charge or by cutting expenses would have to be met by debt funds in the special accounts and would not be incorporated in the general account.
- (4) Administrative expenses were incorporated in the general account.

- (5) All expenses for construction would be financed by public loans.
- (6) Marine transportation charges would be raised 20 percent; deficits would be covered by the general account.

Revisions in Prices, Wages and Rail Rates

41. On 12 May the Cabinet tentatively set the level of basic wages for government employees at ¥ 3,731. In arriving at the new wage level the Government took into consideration the 70-percent rise in official prices and estimated increase in black-market price of 3.6 percent in June. At the same time, a conference of ministers concerned with economic affairs decided to re-examine the general budget with a view to avoiding a rise in prices and nominal wages.

Mounting demands for re-examination of the projected freight and passenger rates held up the Government's efforts to present the new rail-fare increase bill to the Diet 15 May. Critics of the bill feared that the projected 350-percent increase in freight charges would seriously affect the price structure. The Ministry of Transportation argued that other commodity prices would not be affected even if freight rates were increased to four or five times their present level while, on the other hand, increases in passenger rates would have a bad psychological effect and therefore should be avoided as far as possible. The ministry therefore favored reducing the projected passenger fares and making a compensatory increase in freight charges.

The Cabinet agreed 18 May to settle the price revision problem apart from the stalemated rail-fare issue. The Price Board had already drafted an adjustment plan on the assumption that railways fares, one of the cornerstones of the price structure, would go up 3.5 times.

Other opinions suggested that general prices should be based on the current railway rates and adjusted later, that they be pegged on an assumed rate increase and that only the prices least affected by rail fares be revised initially.

Minister of Transportation Seiichi Okada told the Transportation and Communications Committee of the House of Councillors 18 May that the Government's Railway Rate Increase Bill would be presented to the Diet 25 May.

Further Diet Extension Proposed

42. Because of the Government's delay in submitting the general budget and related bills, the problem of extension of the Diet session by 20 days beyond the scheduled recess date of 20 June arose. In this connection the Steering Committees of the two Houses held a joint meeting on 19 May but reached no conclusion.

Rough Draft Adjustments

43. Chief Cabinet Secretary Tomabechi, Minister of Finance Kitamura and ESB Director General Kurusu decided 21 May to cut the budget by ¥ 24,000,000,000 or ¥ 25,000,000,000 in order to make the total ¥ 397,000,000,000.

On the following day the Government, searching for new revenue sources, approved the so-called Tomabechi plan to defer

payment of interest on war bonds for one year and formally approved the measure to increase both passenger and freight railway fares 3.5 times. It was decided to introduce the two revenue-raising bills to the Diet as soon as the schedule for submission of the general budget bill was ensured.

Early the following week the cabinet ministers continued their intensive deliberations on adjustments to be made in the general budget. Final decision on a ¥ 397,300,000,000 budget plan was held up when strong support arose in favor of transferring the Agriculture and Forestry Ministry's ¥ 15,000,000,000 price-differential profit to the general account, thus calling for further revisions in the total estimate.

Though conceding that some points still remained unsettled, Chief Cabinet Secretary Tomabechi announced 24 May that a rough draft of the general budget would be submitted to the Diet 28 May although complete details of the bill would not be fully worked out until 8 June.

44. Meanwhile, stumbling blocks were encountered in wrangles over the problems of local finances and special accounts. On 25 May the Local Finance Committee threatened to resign en bloc unless the Cabinet accepted its demand for full authority over local finances, reinstatement of the sake and tobacco consumption tax and transfer of additional revenue sources to local administrative units.

Strong opposition to these demands by the Ministry of Finance made it unlikely that the issue would be resolved in time to present the budget draft for cabinet approval on the following day as planned.

Agreement on the general accounts became difficult when Minister of Labor Kanju Kato, Minister of Finance Kitamura and Minister of Agriculture and Forestry Kazuo Nagae differed on the method of employing the profits from price revisions. At the same time, Minister of State Sadayoshi Hitotsumatsu demanded a large increase in appropriations for rehabilitation of areas devastated by natural calamities.

Minister of Education Tatsuo Morito and two of his parliamentary vice-ministers, fighting for sufficient funds to enforce the 6-3-3 educational system, threatened 26 May to resign if the new budget did not include ¥ 6,300,000,000 for building expenses, ¥ 400,000,000 for equipment and ¥ 1,200,000,000 for school compounds.

45. The entire discussion culminated in the contention that potential revenue had been overestimated and some cabinet ministers called for a re-examination of the entire budget. Officials of the Economic Stabilization Board conferred meanwhile with Social Democratic Party leaders to seek their cooperation on several key budget measures, including wage-price revision and railway rate increases.

Final Cabinet Approval of Draft

46. With final negotiations for the compilation of necessary adjustments to be left in the hands of Prime Minister Ashida, the Cabinet in an extraordinary session 26 May failed to reach a decision. The ministers reconvened the following morning and, after making three revisions, finally approved the budget as adjusted by the Prime Minister. The total amount of the budget was set at ¥ 399,300,000,000 with the following changes made in the original budget plan:

- (1) To allot the amount to be saved from the deferral of interest payments on war bonds to public works projects and the 6-3-3 educational system in a transaction outside the budget.
- (2) To advance the price of rationed tobacco by less than 80 percent and to increase revenues ¥ 1,500,000,000 by raising the prices of tobacco and sake on free sale.
- (3) To increase revenues ¥ 2,500,000,000 by delaying the enforcement of the reduced income tax by 15 days.

As agreed upon by the Cabinet 27 May the budget plan was as follows:

Expenditures

War termination expenses (occupation expenses)	¥ 100,600,000,000
Price differential adjustment	51,500,000,000
Railway and communication supervision	2,100,000,000
Amount required to meet deficit (transfer to special accounts)	17,000,000,000
Public works (public welfare enterprises)	42,000,000,000
Appropriations to local governments (tax grants to local governments)	44,900,000,000
Government investments	18,900,000,000
Others	<u>122,300,000,000</u>
Total	¥ 399,300,000,000

Revenues

Taxes, revenue stamp receipts	¥ 263,200,000,000
Monopoly profits	94,300,000,000
Revenue from government enterprises and properties	7,300,000,000
Miscellaneous revenue	15,700,000,000
Others	<u>18,800,000,000</u>
Total	¥ 399,300,000,000

Diet Presentation Plans

47. It was decided that the Cabinet would hold a preview of the outlines of the budget bill with Diet leaders 28 May, prior to formal and detailed presentation 8 June.

Immediately following cabinet approval of the budget the three government parties conferred on the methods of examining the draft bill and drew up a schedule for its deliberation.

Democrats, Social Democrats and People's Cooperatives, according to reports, were determined to remain firmly united in supporting the budget bill.

CIVIL SERVICE INSTITUTE

48. A class of 354 students, a broad cross-section from the educational institutions and all regions of Japan and the first group to conclude an intensive 100-day training period in scientific public personnel administration, was graduated 14 May from the Civil Service Institute of Japan.

The idea of such a school originated in November 1946 when the Japanese Government requested the Civil Service Mission of American experts to review and study the problem of Japanese government administration. After an intensive survey of over six months the mission submitted a report to SCAP and to the Japanese Government. Out of it grew the National Public Servants Law of Japan, enacted 21 October 1947, providing the means to establish a merit civil-service system. The Civil Service Institute of Japan was the first tangible step in the development of the new system.

49. Of the 354 new "servants of all the people" 128 will be returned to the various ministries of the Government as the nucleus of the new personnel office there and 226 will be retained in the offices of the National Personnel Commission, Japan's Civil Service Commission, organized under the National Public Servants Law.

The National Personnel Commission will establish standards for all civil-service positions and will supervise and coordinate the work of personnel directors in the various government ministries and agencies. In the past the ministries largely established their own standards, which frequently resulted in overstaffing, favoritism and inefficiency.

50. A second examination, open to all qualified Japanese, is scheduled for June and a second class for the institute will be conducted from 2 August through 1 October.

HOARDED GOODS

Illegal Transactions Investigation Committee Activities

51. Attention was concentrated on the activities of the Illegal Transactions Investigation Committee of the House of Representatives in May.

In an interim report submitted to the Diet on 30 April the committee recommended the enactment of legislation to curb the secret distribution of political funds to individual politicians and parties. Unjiro Muto, chairman of the committee, recommended the public management of elections to reduce campaign expenses and the passage of the Political Funds Regulation Bill which is presently before the Diet.

This first report covers the committee's activities from its establishment 19 January to 27 April when it completed its preliminary investigations of the "political funds case" centering around the activities of Karoku Tsuji, wire-puller in political circles. During that period the committee held 16 sessions and heard the testimony of 45 persons. Contradictions in testimony resulted in four indictments for perjury.

52. The following is the text of the committee's interim report.

"1. At the outset, I should like to give a brief resume of the activities of this committee. As you know, this committee was created on the basis of a resolution passed by the House of Representatives calling for the establishment of a special committee to investigate irregular property transactions. As the matters to be investigated are extensive and require minute scrutiny, a secretariat was set up within the committee, engaging the activities of seven investigators and five secretarial assistants. A plan to increase the personnel staff of the committee is now under discussion.

"Since the establishment of this committee 16 sessions have been held and actual investigations, beginning on 29 January when the committee sat for the first time, continued until 27 April. Since the matters connected with disposal of arms and matters concerning funds arranged through the Reconstruction Finance Bank are extremely complicated and intricate, respective subcommittees were set up to handle these problems.

"The Subcommittee for Arms Disposal Investigation has sat three times up to this date, under the chairmanship of Myorei Terusaburo, and Adachi Umeichi was appointed chairman of the subcommittee to handle the problems connected with the investigations of the Reconstruction Finance Bank. Intensive investigations into these latter problems are now being carried out.

"2. Up to this date the Illegal Transactions Investigation Committee has handled the following investigations requiring immediate deliberation:

- "a. Concerning political funds centering around Karoku Tsuji.
- "b. Concerning political funds centering around Kanichiro Kamei.
- "c. Cases concerning disposal of arms.
- "d. Cases involving funds cleared through the Reconstruction Finance Bank.
- "e. Case concerning the Government's sale of coffee in Gumma Prefecture.
- "f. Case concerning the disposal of special goods by Governor Nishimura of Saitama Prefecture.
- "g. Case concerning monetary arrangements involving Showa Denko, Takenaka Komuten, Umebayashi-gumi, Shimizu-gumi, etc.

"This interim report will present the course of investigations on the part of this committee in the above seven cases up to date, and the process of examination and deliberation in each case.

"a. Concerning political funds centering around Karoku Tsuji

"Ikutaro Nakasone and several other individuals were prosecuted on charges of fraud involving ¥ 6,500,000 and the disposal of military uniforms in connection with the so-called Seko directives. The case is still on trial.

"Of the sums involved, which caused trouble and damage to the nation at large, ¥ 2,500,000 was contributed by Nakasone to Tsuji. This fund was distributed by Tsuji among some 40 candidates at the time of the general election in April of last year as campaign gifts.

"In order to clarify the real facts in this case the committee called 45 persons connected with the matter to attend the committee's hearings and to give testimony as witnesses. The hearings opened on 5 April and the committee has held seven meetings to date. In the meantime, Tsuji and Hisakichi Yamaguchi, who were sick and unable to attend the committee's hearings, supplied their testimony from their sick-beds to a group of the committee's members

dispatched for the purpose. The committee expects also to summon Nakasone shortly.

"Tsuji was also given ¥ 6,500,000 by Hikotaro Yoshida and three other individuals, besides the money received from Nakasone. The committee is now engaged in determining whether this fund was also distributed by Tsuji as political donations.

"b. Concerning political funds centering around Kamei-chiro Kamei

"This case is also now being prosecuted in court. Kamei has been indicted on the charge of fraud with regard to the disposal of military uniforms.

"Regarding this case the committee is endeavoring to determine the extent of the fraud involving also Kiichi Watabiki and two other individuals in connection with the Welfare Brotherhood Cooperative Society with which Kamei is connected.

"The focus of our inquiry is to ascertain the truth of charges that some ¥ 4,700,000 of the swindled money totaling about ¥ 13,000,000 has been distributed as political funds.

"As stated above the core of the political fund issue centering around Tsuji has not yet been brought fully to light. But one fact, which has been established through past investigations, is that on the one hand large monetary political donations were made (some individuals donating ¥ 2,000,000--others ¥ 3,000,000), with the peculiar figure of Tsuji always apparently in the center of our political background, and that on the other hand several dozen political figures gathering around him had their share in these political funds, some getting ¥ 20,000 and others ¥ 30,000. Putting aside for a moment our examination of the fact as to how the Japanese political, governmental and financial circles have been corrupted by the giving and taking of money with such a figure as Tsuji in the center, the conclusion emerges that the Japanese political parties and politicians require large election expenses. In view of the fact that these dealings are a fundamental cause of our political corruption, the committee recommends that the Diet should effect appropriate legislative measures speedily. This committee feels, therefore, that although the revision of the Election Law centering around the state management of elections and the legislation of the Regulations of Political Funds Law may not be perfect, they are considered as essentially urgent and timely measures for preventing political corruption.

"The Kamei case, like the Tsuji case, is a case concerning political funds. Accordingly the committee is determined to treat the case as one of the series of cases for examining the sources and ramifications of political funds in general, and therefore expects to summon at its hearings about a dozen witnesses concerned.

"c. Cases concerning the disposal of arms and war materials

"Upon the conclusion of the war five companies, including Nihon Seitetsu, Nihon Kokan, Kobe Seiko, Fuso Kinsoku and Furukawa Denki, were designated as a War Weapons Disposal Committee charged with the task of dismantling and disposing of war weapons and materials.

"Criticisms have been lodged regarding the activities engaged in by these five acting companies as well as regarding final disposition of the material concerned. Therefore the committee ordered the data concerned to be produced and is now continuing close examination of all purchases, selling prices, and how the material was used after being purchased. Spurred by this committee's activities the Public Procurator's Office has also begun independent investigations, and subsequently this committee learned that ten days ago, in the process of its investigation, procuratorial agencies have confiscated account books and other documents relative to the activities of the War Weapons Disposal Committee in various places.

"As part of the interest of this committee, it is hoped that a thorough-going investigation will reveal the following:

- "(1) Relations between the total tonnage which the War Weapons Disposal Committee received from the Government and the total amount which was disposed and sold.
- "(2) Existence or nonexistence of irregular transactions on the part of the administration of the said committee.
- "(3) The persons to whom the material and arms were sold and the use to which these materials were put.

"d. Cases involving funds cleared through the Reconstruction Finance Bank

"The loans cleared through the Reconstruction Finance Bank are being publicly criticized. The investigation is being currently conducted and a list of all persons to whom the Reconstruction Finance Bank has loaned or supplied funds amounting to more than ¥ 3,000,000 is being requested from the bank. Also all necessary documents pertaining to the case are being gathered.

"The investigations on the disposal of war equipment and the funds supplied by the Reconstruction Finance Bank are intricate and extremely difficult and, consequently, fundamentally preparatory investigations are being seriously pursued by a subcommittee. Accordingly the summoning of witnesses will not actually be conducted by this committee until approximately another month hence.

"e. Case concerning the Government's sale of coffee in Gumma Prefecture

"The so-called 'Gumma Coffee Case' came to the fore when about 93 tons of coffee beans, formerly owned by the army, were found in Gumma Prefecture in February 1946 after investigations conducted throughout the prefecture. It was also disclosed that the governor of Gumma Prefecture had sold the coffee to 33 individuals between July 1947 and the end of that year and had demanded from the buyers that they provide salt, rubber-soled tabi, bicycles and other so-called 'contributions.' In these transactions it has been ascertained that the governor received 'contributions' of ¥ 250,000 per ton above the official price for the coffee. Furthermore in the disposal after the flood damage of September 1947 he received from buyers ¥ 280,000 to ¥ 300,000 under the pretext of 'donations.'

"This committee has dispatched three of its members, Unjiro Muto, Kazuhisa Ibaragi and Umeichi Adachi, on three separate occasions to conduct pertinent and careful investigations on the spot.

"A preliminary investigation has been concluded in the Gumma Coffee Case and the Public Procurator's Office has been instructed to undertake further and more thorough investigations of the several pertinent items which were enumerated relative to this case. Therefore a report of this case regarding irregular property transactions on the part of prefectural officials and in which political figures are involved will be made at a future date.

"f. Case concerning the disposal of special goods by Governor Nishimura of Saitama Prefecture

"Regarding this case, a group of members of this committee will be dispatched in the near future to conduct a thorough investigation on the spot.

"g. Case concerning monetary arrangements involving the Showa Denko, Takenaka Komuten, Umebayashi-gumi, Shimizu-gumi, etc.

"As this case is related to problems of financing of the Reconstruction Finance Bank, the fundamental policy, as well as the scope of the investigation, the names of witnesses to be summoned, etc., will be determined at a meeting of this committee to be held on 5 May, including the chairman of the subcommittee investigating the affairs of the Reconstruction Finance Bank.

"In conclusion, I must reiterate that the aim of this committee is to strive to democratize the political life of Japan by seeking to purify political and financial circles. To attain this fundamental aim, the members of this committee will do their utmost to clean up corruption in our midst and they will not hesitate to perform the necessary operation on the infected parts of our body politic. This infection must be torn out from its roots in whatever party and regardless of the rank and position of the individuals concerned.

"At the time of its establishment this committee was endowed with a nonpartisan character in order to pursue its task to the end. The democratization of Japan is above parties and personalities. It should not only be the common object of all parties but of the entire nation.

"Indeed our investigations are a prerequisite to the democratization of our country. Thus, this committee has a historically important mission.

"We, the members of this committee, are doing our utmost to execute our responsibilities, not only as a selected group of official investigators but also as conscious participants in a glorious democratic revolution.

"The staff of the secretariat attached to this committee has recently been enlarged and I wish to express here a word of gratitude to all these co-workers who have striven so intently to achieve the purposes of this committee without a single word of complaint. It is most regrettable that their efforts cannot be adequately recompensed because of budgetary limitations.

"This committee can carry out its aims only by depending upon the wholehearted cooperation and support of the entire nation. We sincerely hope that the Diet and the nation will continue to afford this committee their nonpartisan cooperation."

Continued Investigations

53. After presentation of its interim report the committee turned to investigate the political ramifications of an additional fund of ¥ 6,500,000 received by Tsuji from Hikotaro Yoshida of the Midori Industry Company and three others.

On 7 May the committee summoned Kiichi Watabiki, chairman of the board of directors of the Repatriates' Welfare Federation, who disclosed that out of a total of ¥ 15,000,000 collected from various circles on the promise of government disposal of military uniforms to various agricultural and welfare organizations, ¥ 3,300,000 was donated to Ikutaro Nakasone, who was an unsuccessful Liberal Party candidate at the last general election, and ¥ 300,000 to another Liberal Party candidate, Futao Fuji. Watabiki also stated that Yakichi Kono, a personal friend who wanted to help Koichi Seko in exposing concealed goods, had received ¥ 300,000 as "pocket money."

54. The committee heard on 6 May the testimony of Kanichiro Kamei, purged former Social Democratic Diet member. Kamei admitted in his testimony that he had collected ¥ 7,130,000 through fraudulent transactions in army uniforms but denied that he had used any of this money for political purposes. The fact that he gave Junzo Matsumoto and Eiichi Nishimura, both Social Democratic Party members of the House of Representatives, a total of ¥ 650,000 proved nothing, Kamei declared, since he had an independent bank account of ¥ 990,000 from which contributions could have been made.

Perjury Indictments

55. Finding that the deposition made by Karoku Tsuji to the committee varied considerably from the direct testimony, the Tokyo District Procurator's Office 10 May indicted Ichiro Kono, former Secretary General of the defunct Liberal Party, and two Democratic Liberal Party Diet members, Toranosuke Miura and Teijo Isozaki, on charges of perjury. Kono, who admitted his guilt, was also charged with violating the imperial ordinance concerned with acceptance of the Potsdam Declaration. According to the Procurator's Office the former Liberal Party leader, a purgee, had given money to Jiko Watanabe, his brother Kenzo Kono and to another candidate in last year's elections, thereby engaging in political activities.

A fourth individual, Kohei Kimura, Democratic Liberal Party member of the House of Representatives, was indicted for perjury 12 May by the Tokyo District Procurator's Office. All four were charged with having given false testimony before the Illegal Transactions Investigation Committee of the House of Representatives in connection with the "political fund donation case" centering around Tsuji.

Political Donations Investigation

56. Another Diet member, Bukichi Miki, a member of the defunct Liberal Party, testifying before the committee 9 May, admitted having received ¥ 50,000 from Tsuji but denied that any political significance could be attached to the deal.

The committee subsequently extended its investigation into "political donation" cases centering around prominent construction companies such as Takenake Engineering Company, Umabayashi-gumi and Shimizu-gumi and involving the names of Prime Minister Ashida, Director General Kurusu of the Economic Stabilization Board and Deputy Prime Minister Nishio.

Renichi Takenake, president of the Takenake Engineering Company, testified before the committee 22 May that he had contributed ¥ 400,000 to the Liberal, Democratic and Social Democratic Parties in accordance with an agreement by leading engineering contractors to make monetary donations to political parties at the time of the general elections in April 1947.

Takenake stated that the sum had been allocated to his company under the agreement, adding that he did not know at what ratio the sum was distributed to the several parties. He asserted that he had made no other political contribution. He denied that he knew Prime Minister Ashida or Deputy Prime Minister Nishio personally, but said that he had met ESB Director General Kurusu last December. Previous reports had alleged that these three political personages had used their influence in favor of Takenake's company in return for monetary donations.

57. While the Democratic and Social Democratic Parties have consistently denied having received political contributions from construction firms, Seita Iida, managing director of the Railway Industry Company, testifying before the committee 26 May, declared that he had personally collected ¥ 3,500,000 from engineering contractors and had handed ¥ 1,500,000 each to Banboku Ono, who was then Secretary General of the Liberal Party, and Usaburo Chizaki, a financial manager of the Democratic Party, and ¥ 500,000 to Nishio, then Secretary General of the Social Democratic Party. The witness stated that he was asked to distribute these funds by Toemon Takenaka, adviser to the Takenake Engineering Company, at the time of the general elections in April 1947.

The same day Sakae Fujita of the Social Renovation Party, who was formerly a member of the Social Democratic Party, testified that he had acted as "middle man" for Nishio in negotiating a ¥ 500,000 donation to the Social Democratic Party from the Fujitagumi in the spring of last year.

Deputy Prime Minister Involvement

58. On the basis of these depositions the committee decided that, in an effort to unravel the political implications of these donations to political parties, it would summon Deputy Prime Minister Nishio, Diet member Michio Hosono, who at the time was in charge of the finances of the Social Democratic Party, Chizaki and Ono to explain the finances of their respective parties. On 28 May the committee announced that Ono would not be summoned since an examination of the official records of monetary contributions kept by the Liberal Party indicated that they agreed with the testimony of Seita Iida.

Pressed for an explanation by a caucus of Social Democratic Party members 27 May, Nishio declared his forthcoming testimony before the Diet committee would clear the party of all suspicions concerning political monetary donations.

Showa Electric Industry Company Case

59. The investigation into the Showa Electric Industry Company case and the alleged loans made through the Reconstruction

Finance Bank remained on the agenda of the Illegal Transactions Investigation Committee.

The Tokyo District Procurator's Office undertook an independent investigation into the case when it seized the account books from the company's main office 26 May.

Criticism of Committee Methods

60. Since the Democratic Liberals announced that they would press for an intensive investigation of the political ramifications of the Showa Electric Industry case, members of the Democratic Party were irritated by unfavorable public reaction resulting from coupling the names of Prime Minister Ashida and ESB Director General Kirusu with the case. A representation by the Democratic Party's Executive Committee was submitted to Speaker Matsuo of the House of Representatives 7 May to "correct" the methods used by the Illegal Transactions Investigation Committee in summoning and questioning witnesses. These "methods," according to the representation, often made third party or innocent witnesses appear as actually suspect and guilty of irregular and illegal transactions in the public eye.

Committee Answers Criticisms

61. In an effort to explain the character and scope of the committee, Chairman Muto 21 May released the following statement to the press:

"The Illegal Transactions Investigation Committee has finally begun to take positive steps. With increasing activities various criticisms as well as encouragements have come from all quarters. Some people criticize the committee as resembling the procurator's office. However, inasmuch as the committee aims to investigate illegal transactions of hoarded goods and questions the responsibility of persons who were involved in the transactions, the committee is justified in wearing the character of the procurator's office.

"There are also criticisms that the attitude of the committeemen toward witnesses is that of detectives handling suspected persons. If true we must be more careful. However, the voluntary presentation of papers and documents and the testimony of witnesses are the only means by which the committeemen can investigate the illegal transactions. Therefore the committeemen should be allowed to cross-examine the witnesses rigidly.

"Some people complain that the committee should not consider mere rumors and bits of information garnered from newspapers and magazines. However, the committee is a sort of public opinion court. When the public watches a matter with suspicion, to investigate the matter and clarify the responsibility is, I think, the very mission of the committee.

"There are also criticisms that the committee confuses the suspects with the witnesses. However, the committee aims to investigate the state of the country. For example the investigation of the Tsuji case aimed to inquire into the source of political funds and as a means of attaining this purpose the committeemen took up the transfer of money involving Tsuji.

"The committee investigates illegal transactions and questions the responsibility of persons involved in the transactions. However, if their innocence is clarified through the investigation the committee reports the results of the investigation

to the Diet, and public suspicions by false rumors and misleading news are dispelled under the authority of the Diet."

POLITICAL PARTIES

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DEMOCRATIC PARTY

Party Labor Program

62. In anticipation of the convocation of the national convention of the Democratic Party a subcommittee of the party's Political Affairs Research Committee completed the draft of a new labor program 1 May providing, according to its sponsors, for the peaceful settlement of labor disputes and guaranteeing a minimum revision of labor legislation. The following were the salient points of the draft program presented to the party's convention 4-5 May:

- (1) To incorporate factors of the efficiency wage in the living-wage system to step up labor's productive efficiency; to procure foods and other daily necessities for workers; to solve the housing problem; and to raise the earned income tax base exemption to approximately ¥ 15,000.
- (2) To encourage secret voting in labor unions when making decisions on important issues, with a view to helping them operate on an autonomous basis and to guarantee union members the freedom to support political parties of their own choosing.
- (3) To launch unemployment countermeasures, including a public works program, power development projects, road construction, national census and city planning, in preparation for the results of the administrative and enterprise reorganization programs scheduled to be enforced in 1948 and 1949.
- (4) To amend labor laws and regulations along the following lines:

To put full-time union officers on union payrolls and to set up grievance machinery operating for government employees as well as for workshops where labor-management councils are found to be defective.

To eliminate Article 10 of the Labor Union Law, which permits union-commissioned outsiders to conduct collective bargaining, since the provision tends to leave room for the activity of union bosses and agitators.

To amend Article 8 of the Labor Relations Adjustment Law to require a majority vote of all the

members of a labor relations board instead of a majority vote of each group of its labor, management and neutral members, in making additional designation of public utilities, and to designate as public utilities the coal, steel, staple food and broadcasting industries.

To amend the method of electing the neutral members of a labor relations board so as to disqualify for membership in the neutral group individuals who are or have been officers of a political party.

- (5) To set up a permanent Labor Relations Round-table Conference along the lines of a supreme labor council, as recently proposed by some labor circles, to deal with the causes of labor unrest.

Party Convention

63. The two-day session of the Democratic Party's fourth national convention opened in Tokyo 4 May with the participation of approximately 500 members including local leaders. Following the opening address by Secretary General Tokutaro Kimura, Chairman Heitaro Inagaki of the party's Political Affairs Research Committee was elected chairman of the assembly. Inagaki reported to the convention a declaration embodying the following points:

- (1) The present cabinet stands for production recovery and the introduction of foreign capital.
- (2) The Democratic Party is opposed to the suspension of interest payment on war bonds, nationalization of the Bank of Japan, the imposition of a national wealth investigation tax and the adoption of the sliding-scale system of wages.
- (3) Through the participation of Social Democratic members in the present cabinet the formation of a popular front was prevented and the anti-Communist attitude of the Social Democratic Party was crystallized.

Ashida Address

64. Prime Minister Ashida, as president of the party, delivered the following address to the convention:

"The economic crisis now yawning before our country is of a very grave nature, and a great many difficulties still beset our economic recovery. A middle-of-the-road administration is the only and most effective way to cope with this difficult situation.

"This type of administrative policy is being followed by the United States and all the European powers, who are locked in the grim battle for postwar economic recovery. In fact, in his message to the Congress on 4 January, President Truman emphasized this policy towards which both England and France are heading.

"Public opinion of the Allied Powers is extremely concerned with the possible development of conservative reactionary forces in our country. With the peace conference now looming, not only is it absolutely necessary for us to win the confidence of the Allied Powers but their aid is also indispensable. It was

these conditions both at home and abroad that led the House of Representatives to choose our party for the state helm.

"What then shall we do first? Among the measures that we are carrying out may be mentioned the campaign for increasing production of food, coal and other key materials. Fortunately the delivery of staple foods has already exceeded 100 percent and coal output is nearing its goal.

"In order to checkmate the spiraling inflation it is necessary to place public finances and banking on a sound and healthy basis. The Government is taking necessary measures to cope with this situation and to stamp out economic unrest.

"Furthermore, ever since the formation of the Cabinet we have been making strenuous efforts for ushering in foreign capital. I dare say that in the developments of the past one and a half months there have been signs of the possibility of our being able to realize this.

"Needless to say, the present cabinet, though led by the Democratic Party, is a tripartite coalition whose goal is to walk in the middle of the road, avoiding the extreme right and left. Pitted against us are the Democratic Liberal Party and the Communist Party. Declaring themselves to be an out-and-out opposition they desire us to beat a retreat. In the light of the prevailing conditions both at home and abroad what is most required of the nation is the leadership of a political party which, without straying to the extreme right or left, walks the middle of the road in harmonious spirit."

65. Ashida denied the persistent rumor of a great conservative merger when, in reply to an interpellation by the chairman of the Okayama branch of the Democratic Party, he made the following declaration to the convention:

"The talk of a large conservative merger is old news. The latest contention of the Democratic Liberal Party is that the platform of all political parties before the Social Democratic Party came into power were practically the same and that for this reason the conservatives should fuse into one party. However, the policies of all the political parties before the Social Democratic Party came into power were not necessarily the same. For instance, the Democrats and the Liberals pursued different policies toward state control of coal and revision of the Criminal Code. Therefore, it would be difficult for the Democrats and the Democratic Liberals to effect a merger right now.

"Frankly speaking, unless capitalistic parties awaken to the current of the times and carry out reformist policies their days are numbered. They should not possess even a semblance of conservative reactionary elements. If a boss-like political party like the Democratic Liberal Party wants to merge into the Democratic Party it should approach us with policies fully alive to the times. If the Democratic Liberal Party undergoes a change of heart and approaches us in this spirit we will accept it into our fold with a broad mind."

Economic Recovery Program

66. At the second session of the convention 5 May Director General Kurusu of the Economic Stabilization Board spoke on the question of importation of foreign capital and a long-range economic recovery program, declaring in part:

"The problem of inducting foreign capital into Japan is one of the chief objectives of the Ashida cabinet. But it is essential first to put our own house in order. Accordingly the Government is now formulating a five-year economic recovery program with the aim of restoring domestic economic conditions to the 1930-34 level. The Government intends to organize in the very near future a special committee of experts to deliberate on the program. Before putting the proposed five-year economic recovery program into effect the Government plans to increase coal production to 36,000,000 tons and also to increase the supply of electric power by five percent."

Policies Adopted

67. At the closing session the 11 subcommittees of the convention approved 27 proposals, including 18 introduced by the party's Political Affairs Research Committee. A resolution was passed calling upon the Cabinet to execute effectively these policies decided upon by the convention:

- (1) The Government shall speedily formulate a plan for importation of foreign capital, although no catch-all legislation for that purpose should be made.
- (2) Although the time is not yet fully ripe for revising the existing labor laws, efforts shall be made to stave off the activities of Communist elements and to increase production. Coal, steel and iron industries as well as broadcasting enterprises shall be included within the scope of public utilities with a view to restricting strikes. The resolutions on these issues were deliberately left vague and are to be finally decided by political negotiations so as to avoid friction with the Social Democrats.
- (3) State ownership of the petroleum industry shall be realized with the close cooperation of the three government parties. However, the resolution specified that it was not yet time to effect unification or state ownership of power enterprises.
- (4) There shall be no agriculture-fishery business tax, thus attuning the party with Social Democratic policy on the matter.
- (5) Government transportation enterprises shall be detached from the administrative branch to make them an independent account.

The controversial issue of suspension of interest payment on war bonds was not made a part of the party resolution of the convention. A subcommittee motion favored no suspension of interest payment on war bonds but the convention decided to leave negotiations on the issue to the three government parties.

The convention called for partial revision of party regulations to reorganize the party on a "democratic and progressive basis." The party convention was made the party's highest decision-making machinery; the General Affairs Committee remains as a decision-making agency but is responsible to the party convention. The Standing Committee of Diet Members became a recommendation committee.

Party Avoids Social Democratic Conflict

68. The agriculture and forestry subcommittee passed resolutions opposing the third farmland reform proposed by the Social Democrats on grounds that the measure would further impoverish farmers and that the discrepancies in the second farmland reform should be adjusted before attempting another reform measure. These resolutions however were shelved by the convention which wished to avoid friction with the Social Democrats.

69. Democratic executives held a conference 6 May to clarify the party's stand on the controversial war bond issue. The conference decided to entrust to Prime Minister Ashida the task of negotiating "on his own judgment" with the Social Democratic Party for an amicable solution of the problem. Secretary General Kimura and Chairman Heitaro Inagaki of the Political Affairs Research Committee disclosed at the conference that the Social Democratic Party had a plan for a 70-percent tax on the interest on war bonds which would virtually realize the suspension of interest payments.

The party announced 8 May its acceptance of the compromise plan proposed by Chief Cabinet Secretary Tomabechi to postpone war bond interest payments for one year beginning 1 June. It was generally felt that this compromise plan would cause no grave concern among financial circles.

Acceptance of the Tomabechi plan by the Social Democrats 12 May removed the fear on the part of many Democratic leaders of involving the party in a serious political conflict with the Social Democrats.

Party Accessions

70. The Osaka chapter of the People's Cooperative Party went out of existence 24 May when its members voted to join the Democratic Party en masse.

Suichiro Oku, an independent member of the House of Councillors from Kyoto, joined the Democratic Party 21 May, raising Democratic Party membership to 46 in the Upper House.

SOCIAL DEMOCRATIC PARTY

Satsuki-kai Activities

71. During early May it appeared that the Satsuki-kai, left-wing group of the Social Democratic Party, was regaining its former unity and influence in the councils of the party.

The Satsuki-kai apparently succeeded in bridging the gulf opened within its ranks by the participation in the Ashida cabinet by such of its representative leaders as Minister of Labor Kanju Kato and Minister of State Masaru Nomizo. Late in April, however, it appeared that the group was preparing to launch another anti-Government offensive in support of three major issues considered to be the cornerstone of Social Democratic policy: opposition to revision of existing labor legislation, opposition to the agricultural enterprise tax and support for suspension of interest payments on war bonds. Members of the Satsuki-kai issued a resolution 28 April proclaiming a strong attitude on these three issues and pledging the united support of the group to Minister of Labor Kato and Minister of State Nomizo, "who are maintaining their lone positions within the Ashida cabinet."

Agricultural Policy

72. On 29 April Social Democratic Party cabinet ministers, including Minister of Labor Kato, Minister of State Nomizo and Deputy Prime Minister Nishio, decided to clarify their views in opposition to the Democratic Party's proposal to institute the agricultural enterprise tax. The Social Democratic attitude was based on the following points:

- (1) The proposed tax differs little from the land tax and therefore is construed as running counter to the three-party policy agreement.
- (2) The imposition of the tax is bound to oppress farmers' economy to the detriment of the nation's democratization program for rural villages.
- (3) Since farmers in general have shouldered a rather heavy income tax burden to date, they can hardly afford to pay any additional tax.
- (4) The agricultural industry, whose capital turnover is limited to once a year, should not be subject to business taxation.
- (5) Farmers are paying tangible taxes through the compulsory delivery of their products to the Government.
- (6) The proposed tax will probably entail a considerable decline in farmers' will to increase food production.
- (7) The farmers' ability to bear tax burdens has already reached the limit.

Party Unity Forwarded

73. The Central Executive Committee of the party met 6 May in an effort to unify the party's left and right wings against any efforts of the Ashida cabinet to repudiate the three-party policy agreement. It was reported that the Social Democrats were fearful that the resolutions presented at the Democratic Party's national convention on 4-5 May foreshadowed a drive on the part of the Democrats to ignore the three-party policy agreement on revision of existing labor legislation, suspension of interest payment on war bonds and the issue of a third land reform program. Any attempt to scrap the agreement, Social Democrats asserted, would be met by the party's uncompromising resistance.

For this purpose it was unanimously decided to dissolve all factional and other minor groups within the party in order to effect greater unity. Henceforth, it was decided, the party would act as a unit on all controversial political issues.

Labor-Farmer Liaison Council Cooperation

74. At the same meeting the Central Executive Committee discussed the party's attitude toward the Labor-Farmer Liaison Council, whose development was closely followed by political observers as a step to weld workers and farmers into one body. The committee discussed its party's loss of close contact with labor unions, and sought ways to strengthen the Labor Section of its Union Policy Committee. It considered naming liaison officials to keep in touch with the Japan Federation of Labor Unions, National Congress of Industrial Organizations, National Council of Government and Public

Office Workers' Unions and neutral unions, who could convene liaison conferences. Social Democratic Diet members participating in the Labor-Farmer Liaison Council were singled out to act as links in this systematic connection.

Decision on these points was postponed until a subsequent meeting 21 May, when the Central Executive Committee decided that the party would permit its Diet members to participate in the proposed Labor-Farmer Liaison Council insofar as the organization carried out its avowed function of serving as a liaison body between labor and farmer unions and legislators who are affiliated with them. In arriving at its decision the Central Executive Committee agreed that party members participating in the liaison group should guard against development of the council into a Communist-controlled, unified front of labor and farmer unions.

Other Policies Determined

75. The Central Executive Committee agreed also to reject all but one of the amendments to the Government's bill enforcing the new ¥ 2,920 wage scale for government employees proposed by the Federated Council of Government and Municipal Workers' Unions. The amendment accepted by the Social Democratic Party would eliminate the bill's provision exercising jurisdiction over government personnel administration.

76. On 24 May the Social Democratic Party adopted resolutions pertaining to revisions of the Election Law and the Diet Law.

Three fundamental principles were adopted in revising the Election Law: (1) establishment of medium-sized election districts, (2) plural voting and (3) adoption of public regulations governing the conduct and management of elections.

With regard to the Diet Law it was agreed to advocate reducing the number of standing committees in the Diet from 21 to 18 and to oppose the proposed elimination of the numerical superiority of the Lower House.

Other Activities

77. A victory was won by the Satsuki-kai 6 May when Mosaburo Suzuki, chairman of the party's Political Affairs Research Committee, was redesignated as chairman of the all-powerful Budget Committee of the House of Representatives. Ideological leader of the leftist group, Suzuki is a strong advocate of the plan to suspend interest payment on war bonds.

Social Democrats won six out of 16 chairmanships of standing and special committees of the House of Representatives.

The party launched a campaign to collect ¥ 20,000,000 in 1948. Of these funds, ¥ 15,000,000 was designated for use in the construction of a new headquarters and the remainder for miscellaneous party activities. A party resolution also called for the adoption of a party anthem to be selected from among entries in a contest open to party members and the general public.

Other decisions reached by the party's Central Executive Committee in May included the following:

- (1) A conference of Social Democratic Party members in the prefectural assemblies and the assemblies of the six largest cities will be held after the termination of the current Diet session.

- (2) The party, through its Political Affairs Research Committee, will chart policy on the following issues: nullification of the Imperial Rescript on Education of 1890; wage control and labor grievances; and management of the electric power industry.

78. The Social Democratic Party received an invitation 27 May from the Socialist Party in the United States to participate in the "International Information Center" in New York. One of its aims is to gather information concerning labor and socialist activities from all over the world. Secretary General Inajiro Asanuma will reply to the invitation after consulting the members of the party.

Party Accession

79. On 3 May Shinkichi Ukeda, a member of the House of Representatives from Yamaguchi Prefecture affiliated with the Dai Ichi Club, formally joined the Social Democratic Party.

DEMOCRATIC LIBERAL PARTY

Attacks on Cabinet

80. The Democratic Liberal Party alternated between attacks upon the policies of the Ashida cabinet and attempts to win over the conservative members of the government coalition from the membership of the Democratic and People's Cooperative Parties.

Democratic Liberal President Shigeru Yoshida demanded 2 May that the Ashida cabinet resign immediately "for the sake of national reconstruction" but expressed the opinion that a general election would create a political vacuum.

Yoshida added, "It appears that in the provinces there is strong sentiment favoring the union of all conservative factions, which in time would be reflected in national politics. The people should compel the Cabinet to fall or the Cabinet itself should retire.

"When capital is not stabilized, the flow of private capital from the outside is impossible, and without the introduction of private foreign capital, inflation cannot be stopped.

"The Cabinet's attitude on labor legislation, too, is very vague--we cannot know whether it intends to revise labor laws or not."

81. The Democratic Liberal Party issued a statement 12 May expressing opposition to the Government's plan to increase railway and postal rates in order to provide increased revenues for the 1948-49 budget. The statement strongly criticized the Government's ¥ 370,000,000,000 draft budget estimates which, it charged, "utterly disregards the necessity for cutting administrative expenses to the bone."

82. Yoshida attacked the Government on the issue of foreign capital 16 May. He demanded the immediate resignation of the Ashida cabinet on the ground that it had failed to prepare the country for the introduction of foreign capital. No one doubts, Yoshida said, that there is a vital need for acquiring foreign capital in order to achieve national recovery; nevertheless the present administration has failed to effect measures to encourage such aid. The Ashida cabinet, "hampered by the weaknesses natural to a weak and discordant coalition," had been conspicuously inept

in its handling of labor disputes, Yoshida charged, and had thereby discouraged foreign investors.

83. On 19 May the Democratic Liberals launched an anti-Government offensive. They contended that:

- (1) The Government is to blame for making a political issue of war bond interest suspension, which was purely an economic problem. Postponement of interest payment is not a proper step since it would jeopardize Japan's international credit.
- (2) The Government promised farmers full rations of fertilizer, but the amount actually distributed to farmers was less than a third of the amount promised. Meanwhile, big fertilizer companies diverted large supplies into illegal channels.
- (3) The increase of railway fares should not be permitted unless coupled with reform of management procedures.
- (4) Compilation of the 1948 budget was delayed; the Government does not keep its promises.
- (5) The present "irrational" tax system should be revised.

Party Policy Program

84. On 22 May the party published a policy program designed to support its anti-Government offensive. Salient points were:

- (1) Labor policy: labor unions shall be politically neutral; the manner of exercising labor's right to strike shall be democratized; labor union leadership shall be purged of "dangerous elements"; necessary revisions of labor laws shall be made; "production control" by labor shall be outlawed; and restrictions against strikes by employees of important public services shall be imposed.
- (2) Agricultural policy: farmland prices shall be revised; regulations governing farming activities of landowners shall be made more flexible; exceptions shall be provided for in the regulations dividing up large pasture and farmland units in order to encourage livestock raising; and the Government's rice delivery quota allocation system shall be democratized by the participation of farmers' representatives.
- (3) National finance policy: an administrative reform to cut government expenses and taxes shall be executed; a national economy drive shall be launched to cut prices; no supplementary budgets shall be added to the main budget; the income tax shall be drastically cut; no new taxes shall be instituted; the tax collection system shall be revamped to minimize tax evasion; national bonds shall be issued if warranted by the economic situation; the priority system for loans to essential economic enterprises shall be re-examined; and the granting of priorities to financial funds at the expense of industrial funds shall be eliminated.

Opposition Groups Cooperate

85. In response to a bid from the Democratic Liberal Party, three minor opposition groups, the Social Renovation Party (Zenno), the Japan Farmers' Party and the Dai Ichi Club agreed 25 May to cooperate with the Democratic Liberals in a drive to unseat the Ashida cabinet.

The opposition groups also decided to seek the cooperation of conservatives in the Democratic and People's Cooperative Parties in the formation of a united conservative front and agreed that the parties should act unitedly in dealing with major issues confronting the Diet.

PEOPLE'S COOPERATIVE PARTY

Miki Statements

86. Rumors of an impending merger of the People's Cooperative Party and the Democratic Party were denied in a statement issued 13 May by Takeo Miki, chairman of the People's Cooperative Party, who suggested, however, that such a merger might occur at some future date.

Discussing other aspects of the political situation, Miki declared:

"Many difficult problems are expected during the remainder of the current Diet session. We will support the present administration until Japan's rehabilitation is speeded up through introduction of foreign capital or until a solution to recovery problems has been achieved. After substantial progress has been made toward national recovery, a new regime based on the will of all the people should be established by dissolution of the Diet. That event, I think, will occur next spring (1949).

"Meanwhile, a revision of Article 10 of the Agricultural Cooperative Union Law is now proposed. However, we are absolutely opposed to any revision which would hamper the sound development of agricultural cooperatives. In view of prevailing financial conditions in farm villages we strongly advocate establishment of an agricultural bank.

"Although I oppose taxation of agricultural enterprises, I, as chairman of the Tax System Inquiry Committee, hope to investigate all such taxation issues."

Party Convention

87. The People's Cooperative Party held its third national convention in Tokyo 15 May. Approximately 150 delegates, including Diet members and representatives of local chapters, re-elected Takeo Miki chairman and named Yutaro Takeyama Secretary General; Takizo Matsumoto, chairman, Political Research Committee; and Seichi Okada and Junzo Sasamori, advisers.

Party policies proposed were:

- (1) General emergency measures: stamp out inflation and establish sound public finance; stimulate production by the utilization of hoarded materials; alleviate controls over necessities; speed up housing construction by means of a coordinated plan; assure equitable distribution of rationed food-

stuffs and clothing; promote repatriation; assist war sufferers and encourage invention.

- (2) Agricultural measures: effectuate the second farmland reform measures concerning reforestation and river control; promote land cultivation; rationalize agricultural management; improve measures for financing farmers.
- (3) Measures relating to minor enterprises: grant increased funds, materials and manpower; reform the Commerce and Industry Cooperation Council.
- (4) Educational measures: improve the status of teachers; complete organization of the 6-3-3 system; provide educational facilities for working youths.
- (5) Tax measures: establish a rational and coordinated tax system; lighten the burden on farmers; abrogate the agricultural enterprise tax.

Party Losses

88. The party was weakened by the withdrawal 24 May of the Osaka branch, whose members joined the Democratic Party. The secession was accompanied by a charge that the party had demonstrated no independence but had followed the lead of the Democratic Party on all issues except for a few matters in which it had a special interest. It was also charged that the party's basic principle of "social cooperativism" was vague and empty.

COMMUNIST PARTY

Party Views Publicized

89. The Communist Party's views concerning the introduction of foreign capital into Japan were expressed in the following statement by Sanzo Nosaka, published in Akahata, official party organ:

"The Communist Party does not oppose the introduction of foreign capital, as both Kyuichi Tokuda, secretary general of the party, and I have stated in the Diet. However, the policy of relying on such foreign aid as the reopening of foreign trade and the importing of foreign capital employed by the Katayama and Ashida cabinets will not only impede the revival of Japan but also jeopardize our national independence. Our objection has been made to this above point.

"The Communist Party has presented four terms: first, no political conditions must be attached to the importing of foreign capital. In other words, our national independence must be maintained. Second, foreign capital must serve to revive Japan's economy and stabilize the people's livelihood and must not be utilized for military purposes. Third, foreign capital must be introduced from all countries equally and freely, not from one nation only. Finally, if the above three terms are to be realized, a procedure of democratic control by representatives of the people, not the existing capitalistic and bureaucratic control, must be adopted. If these four terms are accepted, we will heartily welcome the introduction of foreign capital."

Proposed Ban on Communists in Public Office

90. Prime Minister Ashida declared 20 May that the Government was considering a proposal to prohibit Communists from holding public office. When questioned in the Diet by Nosaka 22 May Ashida