

chose to stay outside, although it participated in a policy agreement with the government parties.

On the 20th of the same month, the Diet was called into session for the first time under the new Constitution. At this session, numerous important bills were approved, such as the Coal Mines State Control Bill and the Exclusion of Excessive Concentration of Economic Power Bill.

The Katayama Cabinet published a so-called "White Paper" immediately after its formation, and put into force various measures of economic control. However, production lagged and inflation continued to mount, so that after half-year's administration the popular support for the Katayama Cabinet visibly waned. In connection with the Coal Mines State Control Bill and other problems, some Democrats rebelled against the party platform, giving rise to a movement to organize a new conservative party. On the other hand, there developed a sharp cleavage between the left and right wings within the Social Democratic Party on various issues with reference to anti-inflationary measures.

## (2) Trend of Party Politics

Internal discussion over the Coal Mines State Control Bill cost the Democratic Party Shidehara and 24 other members who left the party on 25 January 1948 while the Social Democratic Party likewise suffered a blow when 16 rightists among its members quitted the party in the same month. Owing to the secessions from the two parties, the margin of 150 held by the government parties narrowed to 71.

In February, 1948, the Katayama Cabinet resigned after failing to command in the House of Representatives a majority necessary for the passage of a supplementary budget. Subsequently, there arose a bitter controversy in the Diet on the question of the succeeding government; some favored the formation of a government by the Liberal Party, the major opposition party, adhering to the principle of "the constitutional regular course" while the others advocated a government of a majority party group, namely, a government headed by Ashida or Katayama. However, as Katayama refused to form a government again and the leftists in the Social Democratic Party who held the casting-votes, made clear its choice of Ashida. The latter was nominated as the succeeding Prime Minister, on 21 February. A national Cabinet was advocated first, but owing to the

refusal by the Liberal Party, this scheme gave place to a coalition Cabinet of three parties, the Social Democratic, the Democratic, and the Cooperative Parties, which was formed on March 10. When the Ashida Cabinet was organized, part of the Democratic Party opposed a three-party coalition and about a dozen of members deserted the party in consequence, narrowing further the margin between the government and opposition parties. The Liberal Party proceeded with a plan of organizing a new conservative party and finally it succeeded in forming the Democratic Liberal Party on March 15, 1948, with the Liberal Party and the Democratic Group (consisting of Shidehara and his followers' Doshi Club and the bolters from the Democratic Party) and others. With a total of 152 seats the Democratic Liberal Party became the leading party in the House of Representatives, while the Social Democratic Party came next, being followed by the Democratic Party.

Toward the end of the second session of the Diet in June, 1948, the Ashida Cabinet came to a crisis because of the budget and of the question of Vice-Premier Nishio which arose from a donation made to his party. At the same time the tie binding together the Democratic and the Social Democratic Parties weakened gradually subsequent to the demand made by the Social Democratic Party in July for an early convocation of an extraordinary session of the Diet for the deliberation of the Bill concerning the Postponement of Interest Payment on Military Loans.

While the convocation of an extraordinary Diet session was being put off repeatedly, there arose the Showa Electric Engineering Co. bribery case, involving Director-General Kurusu of the Economic Stabilization Board, an important Cabinet member. Thereupon, the Ashida Cabinet resigned en bloc on July 7, assuming "moral responsibility for the Kurusu question". On the 14th of the same month the nomination of the succeeding Prime Minister was put to the vote and Shigeru Yoshida was nominated as the Prime Minister, polling a majority of votes in both Houses.

The new Yoshida Cabinet took the form of a single-party Ministry of the Democratic Liberalists and the distribution of portfolios being completed on the 18th, the second Yoshida Cabinet was formed on the 19th. However, since this Cabinet did not command an absolute majority in the House of Representatives, it sought, first of all, the dissolution of the Diet, which was vigorously opposed by the Democratic and the Social Democratic Parties. It was contended that the government had no power to dissolve the Diet unless it had passed a vote of non-confidence on the government. Under

these circumstances the third session of the Diet was extended to the end of November to pass the amendment to the National Public Service Law and was continued to the 4th session which was convened on December 1. During the 4th session, the cooperation between the Social Democratic and the Democratic Parties crumbled on the issue of a new pay base for government personnel and to the supplementary budget. At its general meeting on December 10, the Democratic Party chose Ken Inukai for its President and strengthened the tie with the Democratic Liberal Party by changing its executive officials. In the House of Representatives, the Democratic Party voted with Democratic Liberalists for the government personnel pay base bill and the supplementary budget. On December 23, a non-confidence in the Cabinet was presented by Opposition Parties and approved. The government immediately dissolved the House of Representatives.

The general election was held on January 23, 1949 and its results were as follows:

Democratic Liberal Party.....	264
Democratic Party .....	69
Japan Social Democratic Party .....	48
Japan Communist Party .....	35
Cooperative Party .....	14
Labor-Farmer Party .....	7
Farmer's New Party .....	6
Social Reform Party .....	5
New Liberal Party.....	2
Independents .....	12
Total .....	466

The election returns reveal the following facts:

A. The tendency of politicians to split themselves into numerous small parties has decreased, with independents and minor political parties tending to be absorbed by the five large parties.

B. The expansion of the Democratic Liberal and the Communist Parties have eclipsed the middle-of-the-road parties, many leaders of which were defeated in the election.

The 5th special session of the Diet after the general election was convened on February 11 and the House of Representatives nominated Pres-

ident Yoshida of the Democratic Liberal Party as Prime Minister by 350 votes. The 3rd Yoshida Cabinet was formed on February 16, which included two members of the Inukai faction in the Democratic Party.

The acceptance of cabinet posts by the Inukai men brought the discord within the Democratic Party into the open. The anti-coalition faction of the Democrats called a general meeting of the Democratic Party and passed a resolution, expelling President Inukai and four other coalition Democrats. As regards the Social Democratic Party, with the election of Mosaburo Suzuki as the Secretary General the leftists succeeded in capturing the leadership of the party.

The 5th session of the Diet was marked by stiff battle put up by the Communist Party, which had gained 35 seats in the House of Representatives, and which considered the Democratic Liberal Party as its arch-enemy. At the middle of June, the Communist Party, determined to overthrow the Yoshida Cabinet, announced its willingness to join forces with other opposition parties and participate in any new Cabinet that might be set up. In this connection, it should be noted that the labor offensive had continued for some time, with the Government Railways Workers Union taking the initiative. To cope with this situation, the government carried out the administrative readjustment, which was one of the election pledges of the Democratic Liberal Party, discharging communists and leading left-wingers in the Government Railways Workers and the National Communications Workers Unions. Furthermore, the government dissolved the League of Korean Residents in Japan, a Communist dominated organization.

A great stir was created in the spring of 1950 by the denouncement of Sanzo Nosaka, Japan's top Communist, by the Cominform and the Pravda. Nosaka was censured for his published opinion that it is possible to establish, in occupied Japan, a people's government by peaceful measures based on parliamentarism. After a plenary meeting of the Central Executive Committee on January 18, the Communist Party formally admitted the "error" of the Nosaka formula. Meanwhile, the Social Democratic Party at its national convention in January had definitely broken up into the leftist and rightist factions. The possible effects of this split on the labor and farmers' front are being watched with much interest.

The present strength of various political parties  
in both Houses

(February 28, 1950)

Note: Those marked with \* are not officially recognized political parties

House of Representatives:	
Democratic Liberal Party .....	287
Democratic Party .....	47
Japan Social Democratic Party .....	47
Japan Communist Party .....	36
People's Cooperative Party .....	14
Farmers' Cooperative Party .....	9
Labor and Farmers' Party .....	6
*New Political Council .....	5
Social Renovation Party .....	5
*Kosei Club .....	3
*Independents .....	2
Total .....	461
House of Councillors:	
*Ryokufu-kai .....	73
Democratic Liberal Party .....	53
Democratic Party .....	42
Japan Social Democratic Party .....	41
*Independents .....	15
*New Political Club .....	7
Japan Communist Party .....	5
*Neutrals .....	4
Total .....	240

## 2. The Labor Movement

### (1) Liberation of Labor

The labor union movement, which had attained a degree of development, was suppressed by the government in 1931 following the Manchurian Incident. In the course of time unions were reorganized into the so-called "Patriotic

Industrial Service Associations" sponsored by the government. As the Pacific War grew in intensity, the control of labor was further tightened through the enactment of the National Labor Mobilization Ordinance and other legislative measures.

The termination of the War has brought about a complete change. Under the Memorandum concerning "Removal of Restrictions on Political, Civil and Religious Liberties", the Public Peace Preservation Law, the National Labor Mobilization Ordinance and the like were abolished; the freedom of labor was restored; the leaders of labor movement, who had been placed under restraint by imprisonment or otherwise, were liberated. This, coupled with the mounting inflation and the hardships of living, stimulated the growth of labor unions. The Labor Union Law was introduced to the Diet in December, 1945, and the Social Democratic Party and the Communist Party concentrated their efforts on organizing workers under their respective banners.

As regards legislation, the Labor Union Law as referred to above came into force as from March 1, 1946. The Law guarantees the workers' rights to organize, to make collective bargaining and to strike. The new Constitution provides in Article 27: "All people shall have the right and the obligation to work. Standards for wages, hours, rest and other working conditions shall be fixed by law. Children shall not be exploited."; and further in Article 28: "The right of workers to organize and to bargain and act collectively is guaranteed." The Labor Standards Law was promulgated on April 7, 1947. On the other hand, the Labor Relations Adjustment Bill was submitted to the Diet, stipulating compulsory adjustment of disputes in public utilities, and prohibiting acts of strike by government and public officials of certain categories. This bill was passed by the Diet in September, 1946 in the face of strong opposition on the part of labor.

In regard to administration, the Ministry of Labor was set up on September 1, 1947, and at the same time, the Labor Standards Law was put into effect. In July, 1946, all former military or naval career officers, thought police officials, and leading functionaries of the wartime labor associations and of the Imperial Rule Assistance Association, were excluded from all fields of labor and vocational administration. The number of purgees on this account ran into several thousands. Again in December of the same year, the persons of other categories disqualified for public offices were also excluded from official posts of labor union. The purgees in this connec-

tion numbered some 20,000 (cf. Part II, Item 2). The labor movement first directed towards the improvement of working conditions and then towards securing the minimum living wage, came to be allied with the political movement for a democratic popular front, which grew out of the general election in April, 1946. The May Day of that year was observed for the first time in many years. The organized mass movement of workers grew apace. In August, 1946, there were formed two nation-wide federations of labor, i.e., the Japanese Federation of Labor with some 1,700 locals and 850,000 members and the Congress of Japanese Industrial Organizations (CJIO), embracing 21 national unions in various industries with an aggregate membership of 1,500,000. With the aggravation of inflation and worsening of the food situation, labor disputes became more frequent; the strikers tending to overstep the bounds by resorting to such tactics as "production control". In July the Labor Relations Adjustment Bill was proposed, and the government announced its plan to discharge 75,000 employes of the government-operated railways as a measure of eliminating the surplus labor that had been carried over from the wartime. The private industries seemed desirous to follow suit. This only served to add fuel to the fire. Agitations for higher wages and opposition to the proposed wholesale discharge were intensified throughout the country. The unions under the CJIO launched the so-called "October offensive", announcing their plan for a nation-wide strike. The offensive assumed a political character, in that it demanded the resignation of the Yoshida Cabinet. The government resorted to a variety of measures, including the invocation of the newly enacted Labor Relations Adjustment Law prior to its enforcement date. Individual disputes were locally settled, and the situation was somewhat eased by December, when the dispute involving government employes took a serious turn. It culminated on January 18, 1947, when government employes, who were dissatisfied with the government terms, set the date for a general strike on February 1. The prospective strikers did not include all the government employes, but were expected to number 2,600,000 in all, including those of railways, communications and other public utilities. It was even feared that the strike would spread to private industries and paralyze the whole economy of the nation. It was only on orders from General MacArthur on January 31 that the strike was called off just before the dead line and the crisis was averted.

From then on the labor movement seemed to enter into a new period, a period of self-reflexion and the reexamination of policy. An increasing

number of unions dropped out of the CJIO dominated by extreme leftists. At the general election of April, 1947, the number of votes polled by candidates belonging to the Communist Party and the CJIO groups fell below expectations. However, the wildcat strikes staged by the National Communications Union and the collective absenteeism resorted to by a certain group of government railway employes, as well as the "no overtime" campaign conducted by government employes, started in the autumn of the same year. The dispute involving the government service labor unions in which the National Communications Workers Union took an active part was temporarily settled in April when a nation-wide 24-hour-strike was called off on orders from the Economic and Scientific Section, GHQ, on March 29, 1948.

#### (2) Turn of Labor Movement

As a result of the amendment of the National Public Service Law and the enactment of the Public Corporation Labor Relations Law (December, 1948 on the basis of the letter of General MacArthur dated July 22, 1948, the government service labor unions which were pivotal in the labor movement, have fallen off from the first line of activity, losing the rights of collective bargaining and of going on strike while the Government Railways Workers Union has also been prohibited from striking. Under these circumstances, the position of labor unions of private enterprise employes has become more important.

The demand for an increase in wages made by major labor unions of private enterprise employes (such as coal mine workers, seamen, electric industry workers, civilian railways employes, cotton-spinning industry workers, and scientific fiber industry workers) turned into a major labor offensive since about October. Three Economic Principles were suggested by the General Headquarters on November 6, 1948, emphasizing the necessity of measures for stabilizing wages and demanding the rationalization of enterprises which has become an important problem to capitalists. The Nine-Point Economic Stabilization Program was announced on December 17, calling for strong economic stabilization measures based on a balanced budget. Finally the General Headquarters advised on the 20th of the same month the striking labor unions and the management concerned to bring the trouble to an end, and thereupon the strike continuing from October to the year end was settled all of a sudden.

After the general election in January, 1949, the government of the Democratic Liberal Party carried out economic stabilization measures under the Nine-Point Economic Stabilization Program such as industrial adjustment, administrative readjustment and the labor law revision, and consequently, the demands for increased wages made in the past labor disputes have changed into demands related to the industrial adjustment, namely, those opposing the suspension of business, shut-down of factories, and also to the curtailment of personnel as well as those for the payment of retirement allowances and for increases thereof.

Bills for amending the Labor Union and the Labor Relations Adjustment Laws were submitted to the 5th session of the Diet in May and were carried despite the opposition put up by labor unions, as well as by the Social Democratic and the Communist Parties in the Diet and the laws took effect from June 10. The two laws have been amended, with due regard to the actual situation of labor movements in the past three years, for the purposes of establishing the democratic and autonomous characters of labor unions and prescribing the responsibility thereof as well as for fixing the procedures of collective bargaining, strengthening the position of the Labor Relations Board and finally reconciling acts of dispute with public welfare.

Leftist unions with those under the National Congress of Industrial Organizations as the central force, continued to fight against the said laws, and it eventually developed to a political movement for overthrowing the Yoshida Cabinet. Furthermore, the struggle against the industrial adjustment and administrative readjustment was made in a form of regional people's struggle under the guidance of Communists and the tendency to resort to force grew noticeably.

In the meantime the influence of the Democratic League opposing the leftist unions led by NCIO increased in the unions of government enterprise workers. Workers began to reflect seriously on their labor movement led by a small number of radicals. As regards NCIO, the Democratic League gained ground in the NCIO unions—especially the unions of electric industry workers and the Japan Express Company employees. The new situation brought on by the Three Economic Principles and the Nine-Point Economic Stabilization Program, and the political offensive continued by the leftists contributed to the further expansion of the influence of the Democratic League. In February, 1949 after the general election in the previous

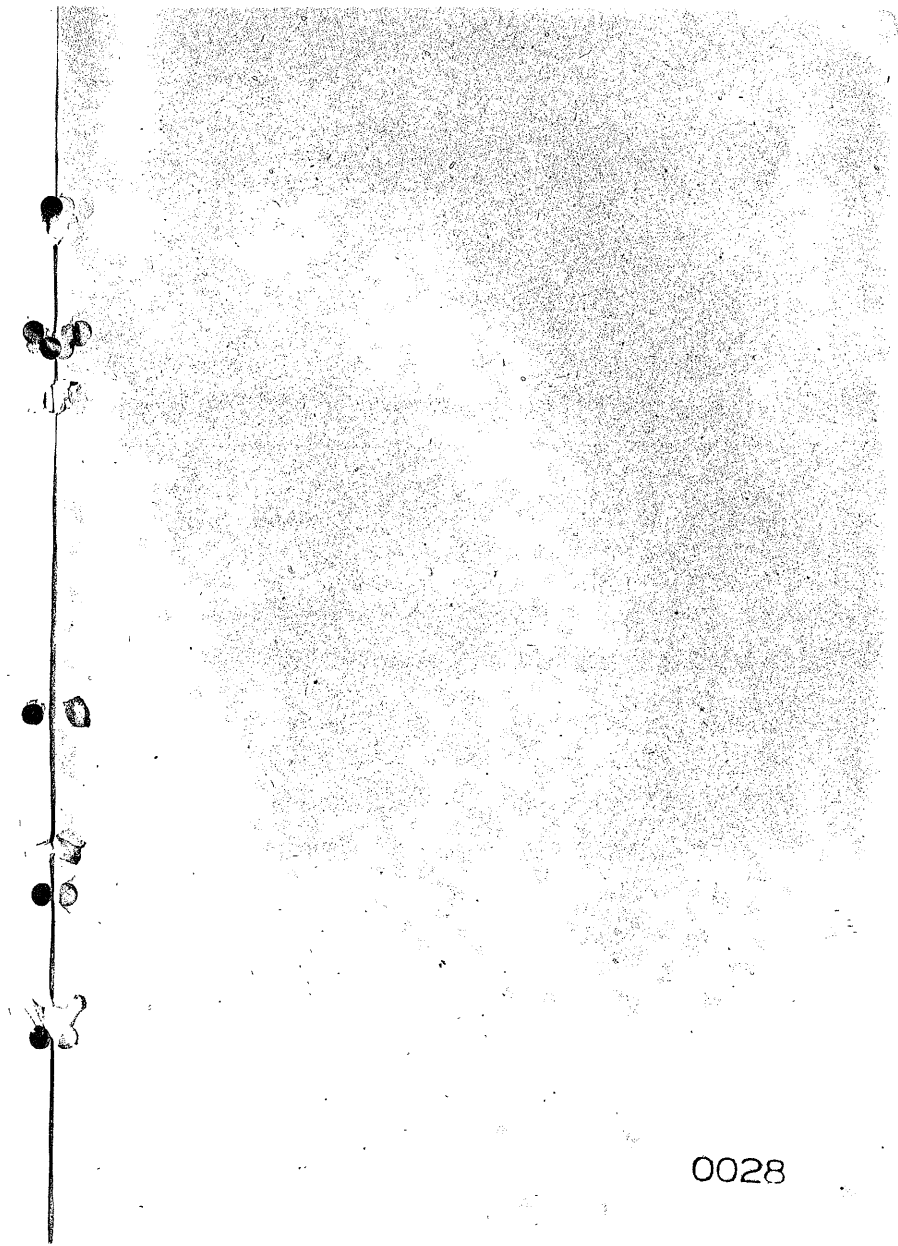
month, the Association of Organizing the National Congress of Labor Unions was formed in opposition to National Liaison Council of Labor Unions, by bringing together the unions under the Democratic League with JFLU and the Democratic elements within NCIO playing the major role in this move. Members of the new organization joined the Social Democratic Party in a large number and launched a movement for the reconstruction of the said political party. The Democratic League elements in NCIO also held in July a general meeting of preparation for organizing a new NCIO to strengthen their position. As will be seen from the above statement, the Union movement was split into two, one movement being led by leftists belonging to the Communist Party and the other by the Democratic League (right) under the influence of the Social Democratic Party. While the conflict between the two factions was being intensified, the administrative readjustment was carried out beginning with the discharge of 95,000 employes of the government railways in July, and under the readjustment scheme a large number of leftist union leaders were dismissed.

Whereas there were only 9 unions and their members totalled 5,072 in October, 1945, the number of unions reached 34,272 with a total membership of 6,724,709 in June, 1949. Of these union workers, some 3,280,000 were said to be belonging to the National Liaison Council of Labor Unions (under the Communist influence), some 2,070,000 to the Democratic League, while some 1,300,000 are considered to be neutrals. But by November of the same year the union members belonging to the National Liaison Council of Labor Unions were said to have dwindled to be some 1,860,000, while those affiliated with the Democratic League had swollen to some 4,210,000.

With the amazing development of the unions, the question of their readmission into the international organization of labor came to the fore, and the joining of the National Liaison Council of Labor Unions to the World Federation of Trade Unions was approved in January, 1949. Furthermore, in their capacity as observers Japanese labor representatives attended the meeting of the Mine Committee of the International Labor Organization at Pittsburg in April of the same year, the 32nd general meeting of ILO at Geneva in June and an ILO regional meeting of Asia at Ceylon in January, 1950.

The National Congress of Labor Unions is now associated with the new international labor organization consisting chiefly of American and British laborers who have withdrawn from the World Federation of Trade Unions.

It sent five representatives to the general meeting for organizing a new international league of free labor unions held in London from December 28, 1949.



**PRESENT CONDITIONS OF JAPAN**

**ECONOMIC SECTION**

---

**MINISTRY OF FOREIGN AFFAIRS**

**JAPANESE GOVERNMENT**

**December, 1949**

0029

## FOREWORD

As described in the Political Section of the present Report, the reforms demanded of Japan by the Potsdam Declaration for demilitarization and democratization of the country have been rapidly and successfully carried out. In its institutional aspects Japanese democracy may be considered as an accomplished fact. However, in order to make this democracy real and permanent it is essential to put the country's economy on a sound and solid foundation.

Japan's economic confusion attendant upon her defeat in War was aggravated by social unrest directly traceable to an acute food shortage as well as by sudden and drastic political changes. In the face of this situation the Japanese Government and people under the direction and guidance of the Supreme Commander for the Allied Powers made desperate efforts to prevent the collapse of their national economy and to speed the country's rehabilitation. And in those endeavors Japan has received powerful support from the Allied Powers—especially the United States, which afforded her sympathetic and generous aid.

In the following pages is given a brief survey of the present condition of Japanese economy, from which it will be seen that foreign assistance over a fairly extended period is required to ensure Japan's progress on the road of recovery.



## CONTENTS

	Page
Foreword	
Part I. General Survey.....	1
Part II. Changes in Basic Conditions .....	2
1. Internal Conditions .....	2
(1) Diminution of Resources .....	2
(2) Increase of Population .....	3
(3) Depreciation of Capital Equipments .....	3
(a) War Damage.....	3
(b) Depreciation and Dilapidation of Production Equipments .....	4
2. External Condition.....	4
(1) Loss of Overseas Territories .....	4
(2) Reparations.....	5
Part III. Present Conditions of Japan's Economy .....	6
1. Production .....	7
(1) Decline of Production .....	7
(2) Causes of Production Decrease .....	13
(a) Shortages of Raw Materials—Scarcity of Import Funds .....	13
(b) Decline of Efficiency and Working Capacity of Production Equipments.....	14
(c) Decrease of Labor Productivity .....	14
(3) Economic Stabilization and Production Stagnation .....	14
2. Trade.....	15
(1) Stagnation of Post-war Trade.....	15
(a) Trade Volume .....	16
(b) Merchandise Composition .....	19
(c) Countries Trading with Japan.....	19
(2) Balance of Invisibile Trade .....	19
(3) Causes of Trade Stagnation.....	23
3. National Finance .....	23
4. Inflation .....	24

5. National Income and Living Standards.....	31
(1) National Income .....	31
(2) Living Standards .....	31
Part IV. Problems of Japanese Economic Reconstruction .....	35
1. Economic Stabilization and a High Investment Level .....	35
2. Self-supporting Economy and Balance of International Payments .....	35
3. Conclusion .....	36

## GRAPHS:

1. Production Index Numbers in Manufacturing & Mining Industries .....	9
2. Itemized Comparison of Pre- and Post-War National Incomes .....	11
3. Production and Foreign Trade .....	17
4. Comparison of Pre- and Post-War Trade Scale by Country .....	21
5. Post-War Issue of Bank of Japan Notes .....	27
6. Index Number of Blackmarket Prices of Production Goods .....	29
7. Index Number of Real Wage .....	33

## TABLES:

1. Loss of Territory and Its Effect upon National Resources .....	39
2. Comparison of the Rates of Survival of Resources and the Rate Survival of the Population.....	41
3. Population Estimates for 1946-55 .....	41
4. Change in the Population Proportion according to Productive and Non-Productive-age Groups .....	43
5. Amount of Steel Materials Consumed by the Government Railways .....	43
6. Superannuation of Hydro-Electric Plants .....	45
7. Acreage under Cultivation.....	45
8. Agricultural Productivity (Harvest per <i>tan</i> ) .....	47
9. Volumes of Trade between Japan Proper and Her Colonies, Manchuria, and China .....	47
10. Labor Productivity .....	49
11. Production in Mining and Manufacturing Industries, 1949 .....	49
12. Enterprise Adjustment in 1949 .....	51
13. Volume of Trade .....	51
14. (A) Proportions of Imported Articles in Value .....	53
(B) Proportions of Imported Articles in Quantity .....	55

15. Proportions of Exported Articles .....	57
16. Clearing of Bills .....	59
17. Rise of Commodity Prices for the Past 3 Years .....	59
18. Comparison of Price Standards between Japan and U.S.A. (April and October of 1949) .....	61
19. Income per Capita.....	61
20. Proportions of National Expenditures .....	63
21. Comparison of Household Expenditures between Pre-war and Post-war Years .....	63

## PART I. GENERAL SURVEY

Japan is a small island country with an area of 369,000 square kilometers (Note 1), smaller than the State of California. Of which only 13.4%, (some 49,700 square kilometers, or 5,010,000 *chobu*) was arable as of 1947, and on which a vast population, amounting to 60% of that of the United States, is struggling for existence. Japan is notoriously overpopulated, the density of her population per square kilometer of arable land as of 1947 was as many as 1,582, standing highest in the world. The country's natural resources are exceedingly meagre. Even in the pre-war days Japan relied on imports for 50% of her industrial raw materials. While Japan has suffered huge war damages and lost almost half of her territory, her population is estimated to have reached 82,338,000 in October of 1949 through the repatriation of 8,000,000 people from abroad as well as the natural increase at home.

Overpopulation has necessitated the parcelling of the land into minute units, the average acreage of a farm being 0.54 acre, which is cultivated intensively by family labor. It should be noted that our agriculture is already saturated with 43% of our population engaged in farming; it cannot absorb any additional population. On the contrary, as the mechanized farming progresses, the farming population is bound to be reduced. Therefore, unless we achieve a greater degree of industrialization for the absorption of the swollen population, it would be impossible even to restore our living standards to the pre-war level.

In the face of such conditions of economy, the first measure launched under the Allied economic policy for Japan was economic demilitarization. Government and private war plants were either dismantled or designated for reparations, though some were permitted reconversion to peace purposes. The second step was democratization of economy. Its basic idea was the return to free enterprise. Big *Zaibatsu* were dissolved, monopolistic firms banned and safeguards established against the emergence of private monopolies. Such measures as the land reform and the promotion of trade unionism were carried out to liberate workers and peasants. The social and economic position of women was elevated through the institution of women's suffrage and amendment of various laws. Thus the ground was prepared for the growth of democratic forces, and the conditions perfected for the development of a peace economy. Nevertheless, it cannot be denied that the

series of measures instituted for economic democratization as well as demilitarization has had an adverse effect, if transitory, upon the promotion of production.

It goes without saying that the Japanese economy must continue in the direction of thorough democratization; it must be rehabilitated by stabilizing it internally and by making it independent of external support. This involves many difficulties. The best effort of our nation will have to be concentrated on surmounting such difficulties. But the internal efforts alone will not suffice as is explained elsewhere. Fortunately, the policy of the United States and other Allied Powers is directed toward giving Japan positive aid to achieve a self-supporting economy.

(Note 1) Area where Japanese administrative power is presently exercised

## PART II. CHANGES IN BASIC CONDITIONS

The war altered radically the basic conditions of Japanese economy, increasing to the extreme the country's dependence upon the outside world. The changes in basic conditions, internal and external, are described below.

### 1. Internal Conditions

#### (1) Diminution of Resources

As a result of the war, Japan has lost 44% of her territory, and many of her important resources (Table 1). The loss of such granaries as Korea and Formosa is a serious blow to Japan's economy that the nation is now unable to feed itself. The loss of the important resources, such as beans, salt, sugar, iron ore, etc. has dealt another severe blow. The rates of survival of the population and the resources and production facilities are compared in Table 2. Against the population survival rate of 71%, lower rates are registered mainly by foodstuffs, for example, rice (68%), wheat and barley (64%), sugar (8%), beans (42%), corn (45%), salt (55%), etc., and by raw materials for industrial use, such as iron ore (45%), pulp (60%), lead, (68%), etc. Higher rates of survival are shown principally by industrial products, including rolled steel (98%), zinc (87%), cement (81%), lumber (75%), ammonium sulphate (73%), etc. These circumstances necessarily make Japan's future economy dependent upon foreign trade much more than in the past.

#### (2) Increase of Population (Note 2)

Overpopulation has been a moot problem since before the war. From the early years of Meiji down to the Showa era, Japan managed to support her population which doubled during that period, by the industrialization of the country. According to population estimates after the war (Table 3), the rate of increase is as high as ever. The increase is estimated to reach 28% in 1950 over the annual average of the population of Japan proper during 1930-34.

Such a marked increase of population is bound to augment national consumption and to aggravate the employment situation which together with the increasing percentage of the productive-aged group (Table 4) will render all the more acute the population problem of Japan.

(Note 2) Reference: "Japan's Population Problem"

#### (3) Depreciation of Capital Equipments

##### (a) War Damage (Note 3)

According to the Economic Stabilization Board's report on the losses in lives and property caused by the war, the casualties, mainly of air-raids, totalled 8,750,000, including 300,000 killed, 370,000 injured or missing, while the bombed cities numbered 156, the totally burned or destroyed houses numbering 2,250,000, and the partly burned or destroyed 110,000 (casualties sustained by the Army and Navy are not included in the above figures). The property losses due directly to war damage (not including military property such as arms, aircraft, naval ships and boats, etc.) aggregated ¥49,673,000,000 as estimated at the value as of the war's end, which is equivalent to 20% of the total pre-war national wealth. The above figure will be greatly augmented, if the indirect losses are taken into account, such as the removal of factory equipments and dwelling houses for dispersion, the reckless deforestation, the frequent inundations due to neglected riparian works, the scrapping of peacetime industry equipments, etc. Heavy damage was sustained by practically all branches of industry, with the damage rate standing heaviest in power plants, which averaged from 30% to 58%. The blow to the industry has had a very far-reaching effect upon to-day's production in general.

The question is, how long it would take to recover such a heavy loss of national wealth. Even in the economic condition of 1935 when the national income totalled ¥14,500,000,000, out of which about ¥2,200,000,000 (¥6,500,000,000 as converted into the value at the time of war's end) was capitalized, it would have

taken almost 10 years to recover the above-mentioned direct loss alone. It would certainly take much longer under the post-war circumstances such as they are.

(b) Depreciation and Dilapidation of Production Equipments

The excessive overuse and the neglect of repairs during the war-time have caused the present dilapidation of production equipments in every branch of industry. For instance, owing to the progressive curtailment in the annual supply of necessary repair materials (See Table 5), 4,773 km of the national railroad was rendered unsafe which represents about 14% of the total length as of 1948. Not a few railroad bridges, too, are considered unsafe, those which are forty years old, representing about 22% of the total. The ties requiring replacement amount to as much as 36%.

No less conspicuous is the dilapidation of the electric power equipment. As shown in Table 6, out of the 1,324 hydro-electric plants of Japan, those which are over 20 years represent 73.6%, while with regard to the generation capacity 45.5% are superannuated and subject to frequent tie-ups. Naturally, their efficiency is markedly lowered.

As regards agriculture, the planting of rice and wheat in 1948 shows a considerable decrease as compared with 1937 (See Table 7). This is due to the destruction of farmland for military purposes such as the construction of air-fields, munition plants, etc. In addition to the decrease in planted area, agricultural productivity has also been lowered (See Table 8).

Flood devastations of land caused by the reckless denudation of woods and the neglect of river works have become specially conspicuous of late. Overcutting of timbers, 50 to 100% above the recognized standard was made year after year during the war, and this despoliation of forests has continued after the war to meet the requirements of the Occupation forces as well as the needs for war-damage rehabilitation works and for fagots to supplement the coal shortage. If such deforestation were to go on, the experts fear, the forestry resources of this country would be exhausted before long. As to flood damage, the aggregate loss in 1952 is estimated at ¥36,200,000,000.

(Note 3) Ref: "Damage caused to Japan by the Pacific War"

2. External Condition

(1) Loss of Overseas Territories

Japan has lost all of a sudden Korea, Formosa, South Saghalien, South Sea

Islands, etc., amounting to 44% of the total area of her former territory, and her major resources such as food, raw materials for industries have been drastically decreased. Furthermore, she has been shut out from China and Manchuria, as a result of which she has lost important sources of supply of soy bean, coal, iron ore, etc., as well as export markets for her industrial products, and all advantages from the division-of-labor relationship that had been established with those areas. The pre-war volumes of trade between such areas and Japan proper are fairly large as shown in Table 9. In view of the fact that the industrial organization of Japan was built up and developed through the division-of-labor relationship, the loss of such relationship had a disastrous effect upon it. Nor must we overlook the loss of huge amounts of capital invested in the said areas. Another serious blow is the loss of fishing grounds such as those in the Northern waters, around Saghalien, the east coast of Korea which used to yield about a half of Japan's total haul of fish. This affects badly our albuminous food supply as well as our balance of international payments (Note 4).

Then again, in the pre-war days there were many Japanese residents in those East Asiatic areas, where they were engaged in commercial and industrial activities. About 3,000,000 of them have been repatriated since the war's end, and that has caused not only a loss in our international account but also a sudden accretion to our home population, aggravating the knotty problems of unemployment and food shortage.

(Note 4) Ref: "Fishery Problem"

(2) Reparations

Japan is under obligation to pay reparations to the Allied Powers in consequence of her acceptance of the Potsdam Declaration. The "United States Initial Post-Surrender Policy for Japan" made it clear that the reparations would be exacted from Japan's overseas properties and home assets.

As regards the foreign assets, not only all of Japan's national assets abroad, but the private assets peacefully acquired in her colonies such as Korea and Formosa, have been completely wiped out. The loss of these assets, is a serious blow to the economy of Japan, which was by no means self-sufficient even in pre-war days, and which has now been made dependent more than ever upon the outside world as the result of the war.

As the reparations to be exacted from home assets, the GHQ, SCAP designated 932 factories for reparations under the interim reparations program of Far Eastern

Commission and ordered them to be put under control and custody. The aggregate value of these designated factories, as of 1939, is estimated to amount to about ¥6,000,000,000 (or about ¥600,000,000,000 as of 1948). The list of reparations plants has been somewhat modified since. Nevertheless, it includes a number of extremely important plants needed for Japan's peace-time economy. According to the Commerce and Industry Ministry's investigations of April 1948, as much as 50% of the industrial products is being produced at the factories designated for reparations.

Besides the cost of transportation that amounts to one sixth of the value of the equipments to be removed, the loss, visible and invisible, is also large arising from the fact that the final reparations settlement remains pending. No new investments are likely to be made in the factories which may have to be dismantled at any time. The operations of such factories are, moreover, subject to various restrictions. A statement was made by Major General Frank R. McCoy recommending the suspension of reparations, but the problem has not yet been solved.

If the exaction of reparations from current production were to be enforced side by side with the removal of industrial equipments, it would put an intolerable burden on Japan's economy for a long time to come, impeding, of course, her recovery and reconstruction. Even if the principal raw materials should be especially supplied for such purpose, we would have to bear the cost of the necessary motive power, transportation, etc., besides curtailing the production of goods for domestic use as well as for export.

### PART III. PRESENT CONDITIONS OF JAPAN'S ECONOMY

Owing to the aggravation of the basic conditions as described above, coupled with the political and social confusion accompanying the surrender, Japanese economy was dealt a devastating blow. It is the severity of this impact that accounts for the comparatively slow progress toward recovery in the first three post-war years. But thanks to the economic stabilization program initiated in 1949 the period of instability and confusion has passed; and Japan is now entering upon an era of durable stability and untrammelled recovery, whereof a brief description is given below under the heads of Production, Foreign Trade, National Finance, Inflation, National Income, and National Living Standards.

## 1. Production

### (1) Decline of Production

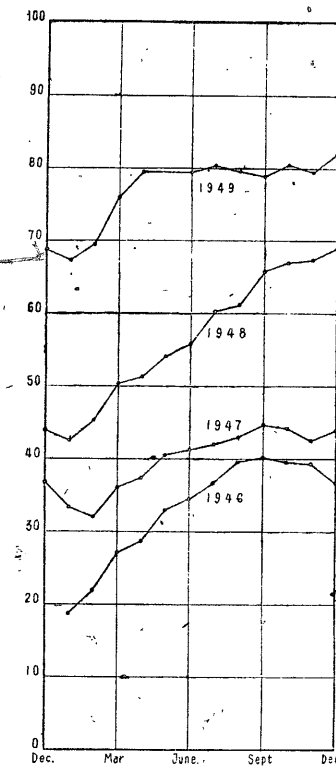
Production in mining and manufacturing industries, which had begun to fall suddenly toward the war's end, and dropped by July to about 20% of the 1930-34 production level, hit the bottom with Japan's surrender. For a few months after that it was hovering at about 10% or less of the above-mentioned level. A slight improvement in the production of coal in 1946 stimulated all industries to move upwards, though slowly. After that a slump in basic industries, exhaustion of stock and depreciation of equipment, coupled with inflation and labor offensive, sent industrial activities on a downward grade once more with the result that signs of diminishing reproduction began to appear conspicuously.

Hereupon, in order to avert the impending crisis, the Government adopted in the end of 1946 a priority system of production for basic materials. Although this system caused other industries shrink temporarily, production soon picked up, rising steadily throughout 1948. But since March 1949 the purchasing power has declined markedly, reflecting the financial and banking policy of the Government. Especially in the fields of manufacturing and mining industries, the upward trend in production has now been brought to a standstill. The following graph shows the fluctuations of production index numbers in manufacturing and mining industries.

In agriculture, forestry and aquatic industries the production index numbers, counting the 1930-34 index as 100, are 78.27 for 1946; 78.57 for 1947; 85.59 for 1948; and 94 for 1949. While production decline is not as great as in manufacturing and mining industries, the tempo of recovery has been slow.

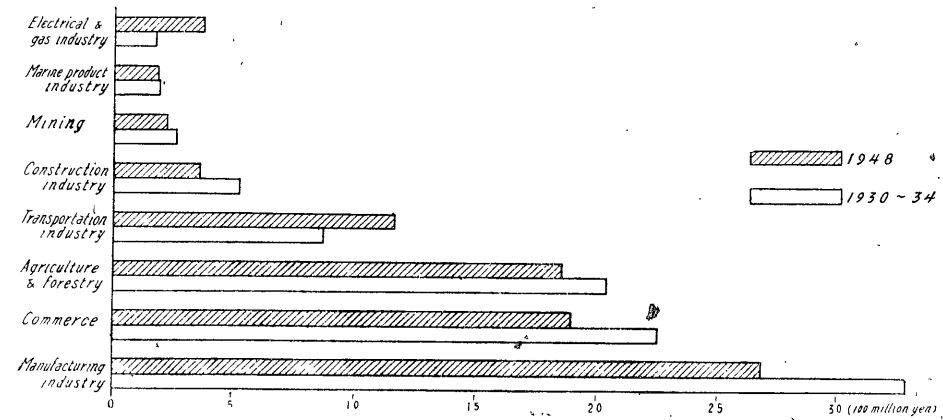
The ratios between the national income and the production incomes of various industries before and after the war are given in the following graph.

*Production Index Numbers in  
Manufacturing & Mining Industries  
(1932-36 average=100)*



(Source: Economic Stabilization Board)

*Itemized Comparison of Pre- and Post-War National Incomes (1948: estimate by E.S.B)*





## (2) Causes of Production Decrease

The recovery of manufacturing and mining industries in Japan is strikingly slow as compared with other countries. The recovery pace is also slow in the other fields of industry. According to the investigations of the United Nations the production index of Japanese manufacturing and mining industries counting the 1937 index as 100, registered 57 for 1945; 20 for 1946; 27 for 1947; and 45 for 1948, rising only to 53 even in August 1949. These figures are, of course, beyond comparison with such countries as Netherlands (122) and France (105); and they fall considerably below other major industrial nations, including Germany and Italy.

Too scarce import of raw materials may be counted as one reason why Japan's production did not show a progress. In addition to that, depreciation of equipments, lowered skill, lack of motive and transportation capacity, uneasiness caused by pending reparations reduced working efficiency of production equipments and labor productivity, resulting in the decrease of production.

Again, owing to the rise in purchasing power induced by inflation and to defective economic controls, not a few enterprises prior to 1948 found it profitable to manufacture large quantities of poor grade merchandise even at a high cost. The result was, a marked deterioration in the quality of industrial products.

A substantial improvement in this respect has been effected since 1949 with the vigorous enforcement of the economic stabilization program. On the other hand, under the same program, which suddenly demanded sound economic operation of a large number of enterprises burdened with surplus production equipments from wartime, the upward movement in production volume has been checked as is described below.

### (a) Shortages of Raw Materials—Scarcity of Import Funds

As described later, the importation of raw materials diminished drastically after the war. In view of the fact that Japan used to import before the war 84% of iron ore, more than 90% of cotton, wool, rubber, etc., it is easy to understand how her industrial production was affected by the stoppage, or curtailment of importation of such raw materials. The value of imports in excess of exports from the war's end up to the end of 1949 amounted to more than 1,300,000,000 dollars. But, more than half of the imports were "goods merely for subsistence," and there were very little materials for industrial use except cotton (Ref: Table 14). The recovery of production depends primarily

on the import of raw materials, but our lack of funds renders it impossible to increase imports. Herein lies our problem.

(b) Decline of Efficiency and Working Capacity of Production Equipments

Besides the war damage, the extreme depreciation due to the war-time overuse is largely accountable for the decline of efficiency of all production machinery and tools. The crippled production equipment is prevented from working fully owing to insufficient supply of raw materials and money for repairing. Even the plants for chemical fertilizers, cotton yarn and cloth, and pig iron, to which materials are allocated preferentially have decreased to 60-70% in operation rate as compared with the pre-war level. It is quite natural that other industrial plants should find themselves in a more miserable plight.

These circumstances are not only responsible for decreased production but also for diminishing labor productivity and higher costs of production, rendering the operation of enterprises increasingly difficult.

(c) Decrease of Labor Productivity

The present labor productivity is remarkably low compared with the pre-war days.

The cause of the decline of labor productivity lies in over-employment brought on through the lowering of the operation rate of industrial plants and also in the drastic fall in the income of workers as is told elsewhere.

The economic stabilization program inaugurated in 1949 has contributed through the rationalization of enterprises and personnel adjustment to the promotion of labor productivity, which, however, remains, as shown in Table 10, far below the pre-war standard.

It should also be noted that the mainstay of Japan's export industries in the pre-war days was the so-called "cheap labor." Of course, that did not signify simply a low wage due to a low living standard, but it meant that the wage was relatively low as compared with efficiency.

But, at present, the labor productivity is so lowered as explained above and most enterprises are suffering from high wages and low efficiency—a fact that constitutes one of the factors hampering Japan's export industry.

(3) Economic Stabilization and Production Stagnation

The production in manufacturing and mining industries which had risen steadily

began to stagnate with March, 1949 as the turning point. The production index in these industries, counting 1933-35 as 100, has dropped more or less, as shown in Table 11, in these recent months since April, 1949, which are considered the best season for those industries. The greatest cause for this lies in the decrease of effective demand, which is ascribable to the strict enforcement of the economic stabilization policy.

The 1949 budget puts severe limitations upon capital investments through Government appropriations, Reconstruction Bank loans or other channels.

As regards direct investments from the Counter Aid Fund, less than ¥400 million has been approved up to October. The total fund available for capital equipment in 1949 excluding budgetary appropriations of an investment character was ¥128,000 million, actually about 60% of the figure for 1948.

The result is a sudden increase in the stockpiles of various commodities. While goods are moving scarcely, the unpaid bills to enterprises have mounted to 2½ to 3 times the normal amount. There is a phenomenon of relative over-production in some areas of industry. This tendency is specially conspicuous in the capital goods and export goods industries, in which not a few medium and small enterprises are going bankrupt or shutting down plants. The recent condition of enterprise readjustment is shown in Table 12.

The production expansion prior to 1948 was achieved through what may be termed "artificial" inflation of purchasing power. The production stagnation that has set in with the inauguration of the economic stabilization policy since 1949 is therefore an unavoidable recession on the road back to sound economy. It should not be confused with production recession under inflation. As a matter of fact, the policy has been instrumental in promoting substantially the stabilization of economy, rationalization of enterprises, improvement of labor productivity and products, normalization of the employment structure, and reduction of production costs. Nonetheless, the fact cannot be denied that the same policy has subjected the people to great hardships through the collapse of many enterprises and an increase in unemployment.

2. Trade

(1) Stagnation of Post-war Trade

Because of the changes in the basic conditions, Japanese economy, none too robust, witnessed a marked lowering of the rate of self-sufficiency in the supply of

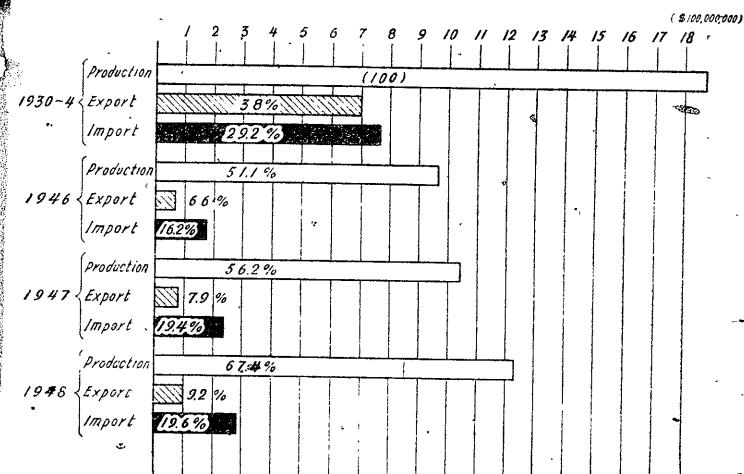
foodstuffs and industrial raw materials, and the intensification of its dependence on foreign trade. Nevertheless, the actual figures for Japan's post-war foreign trade show considerable diminution in scale, and an extreme unbalance between income and outgo.

(a) Trade Volume

In 1936 the percentage of the value of Japan's exports, including those to her overseas possessions against her national income stood at 22.4%, which compares with 18.2% for Britain, 13.4% for France, 6.5% for Germany and 3.7% for the United States. But since the war's end Japan's imports and exports as against production, the principal source of national income, have fluctuated as shown in the following graph, which indicates an extreme dullness of foreign trade—especially of the export trade.

Post-war trade figures are given in Table 13. The imports exceed by far the exports in the absolute amounts. The aggregate value of the excess of imports over exports at the end of 1948 reached \$978 million, while the figure for 1949 is \$376 million.

Production and Foreign Trade



(Notes)

- (1) The figures for post-war years are in terms of 1930-34 value. The amounts of production after the war are estimates.
- (2) The production indices after 1946 are against those of 1930-34.
- (3) Percentages of exports are against the production amounts of the respective years.
- (4) Percentages of imports are against the "supplies", consisting of the production amounts and the imports, of the respective years.

Source: Ministry of International Trade and Industry

#### (b) Merchandise Composition

Since the war's end Japan's import and export trade has undergone drastic changes in markets and in the compositions of merchandise. With respect to import merchandise, as shown in Table 14, food items such as rice and sugar which had constituted some 28% of the total imports in the pre-war days rose to considerable proportions: 55.4% in 1946, 56.1% in 1947, 46.3% in 1948 and 40.3% in 1949. It signifies that the import of commodities needed for economic rehabilitation is being severely restricted in order to sustain the bare existence of the people. Nevertheless, the total imports of foodstuffs for 1948 is only about one half of the average annual imports for the 1930-34 period. As regards the exports, textiles continues to constitute the leading items, but they are exceedingly small in volume as compared with the pre-war years (See Table 15). Considering the diminished demand for raw silk, an important item of export, and the growing competition in cotton goods among various countries, the future of Japan's foreign trade is far from reassuring.

#### (c) Countries Trading with Japan

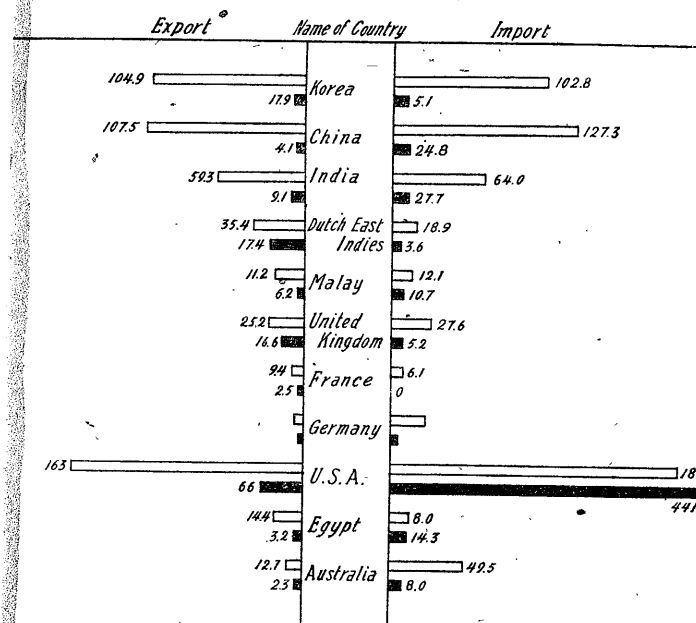
Japan's foreign trade by country in 1948, as compared with pre-war years, is shown in the following graph, of which a conspicuous feature is the shrinking of the volume of trade with the East Asiatic areas. These are the areas, which were formerly within Japan's sphere of influence, or in which she had special rights and concessions. Considering the existing political obstacles to trade and the economic ruin that has drained the region of its purchasing power, an early revival of trade appears improbable.

#### (2) Balance of Invisible Trade

In connection with the foreign trade Japan's balance of international payments deserves attention. In the pre-war years Japan had annually an excess income of ¥200-300 million in invisible trade, which cancelled her deficit in foreign trade. Since the war's end, Japan has an enormous excess outgo owing to the loss of her mercantile marine and to other causes (Note 5). Once a major shipping country in the world, Japan now pays for freightage 15% of the total foreign exchange she earns. Such being the case, her balance of international payments is really worse than it appears on the surface.

(Note 5) Ref: "Japanese Shipping"

Comparison of Pre- and Post-War Trade Scale by Country



Note: Figures are value converted into as of 1930-34 unit: \$ 1million.

1930-34  
1948

(Source: Trade White Paper)

### (3) Causes of Trade Stagnation

As the principal factor of the slackness of foreign trade—more particularly, export trade, the world-wide dollar shortage may be cited, as Japan belongs to the dollar area. Other factors include: lack of purchasing power on the part of those countries which were Japan's pre-war customers; deminished demand for Japan's special products; dissolution of big trading firms and trade banks; lack of information and difficulties of advertizing, selling and market-development due to the uncertain legal status of the Japanese under occupation and to blind trading; extreme complexity of import and export procedures; production slump due to shortage of raw materials; high production cost due to lowering of labor productivity and high freightage due to non-use of Japanese ships. Some of these difficulties have been solved to an extent since the latter half of 1949. But there are others for which there is no prospect of solution in the near future. In any case, if the nation is to maintain a minimum living standard and to move forward even by slow degrees toward self-supporting economy, it will be impossible to avoid a certain measure of excess import. Accordingly, Japan's balance of international payments is expected to continue to be in the red for a fairly extended period. And there seems to be no way to make up the deficit except by obtaining foreign aid.

### 3. National Finance

During the inflation years until the end of 1948, because of meager annual revenues the national budget showed glaring discrepancies between receipts and disbursements both in the General and the Special Accounts. The situation called for an ever-swelling currency issue. Nevertheless, taxes were heavier in amount and much wider in scope, as compared with pre-war years. The tax burden of the people grew year after year. The percentage of the number of income tax payers against the country's total population, which was 1.6% in 1937 rose 16 times to 25.6% in 1947. The tax burden of the people which constituted 13.5% of the national income in the 1930-34 period increased to 23.5% in 1948 and to 26.1% in 1949.

Despite such heavy taxation, the National treasury was always drained dry because of the vast appropriations in the general account for War-termination Dispositions (Note 6), reparations removal and maintenance; and in the special account, for food control; and in the Railway Special Account, compelling the Government to issue large quantities of currency.

It was in 1949 that a consolidated, balanced budget was enforced, and Japan for the first time in decades got out of deficit financing and set out on the road of sound economic reconstruction.

This policy meant, on the other hand, severe curtailment of outlays, so that in the 1949 budget the appropriations for public enterprises, education and culture, social and welfare purposes, constitute respectively 7.4%, 4.9% and 3.7% of the total disbursements for Government enterprises. The three appropriations do not add up to 19.4% of the Expenditures for War Termination which have been in round figures, including the reparations removal costs, ¥38,500 million for 1946; ¥105,900 million for 1947; ¥118,700 million for 1948; 136,400 million for 1949.

Important commodities of superior quality and indispensable to the reconstruction of Japan's economy are being devoted preferentially to the use of Occupation Forces. In 1946 and 1947, for instance, 23-17% of the total output of coal, 88-77% of iron pipes, 53-45% of cement and 17-6% of lumber were consumed for Occupation purposes; and in transportation, 21-16% of the total freight-cars, 48-31% of trucks and 7% of passenger-cars. In addition to all this, Japan has defrayed the expenses of special housing construction materials for the Allied Powers in Korea, those of Okinawa reconstruction materials, and the cost of the custody and maintenance of reparations equipments.

However, the United States has given out considerable sums of money in the form of Government and Relief in Occupied Areas. It is this fund that has helped Japan for all her heavy burdens escape social and economic collapse.

(Note 6) Ref: "Expenditures connected with Allied Occupation"

#### 4. Inflation

The factor which gave rise to the post-war inflation had originated during the war. To the tremendous amount of potential purchasing power brought over from the war-time, was added a large sum of funds released at the war's end. The result was that the issue of Bank of Japan notes which stood at ¥29,700,000,000 at the end of July 1945 rose to ¥40,000,000,000 by the end of September; it climbed to ¥58,600,000,000 at the end of that year, almost double the figure for July. On the other hand, production was at a standstill, and the controlling power of the Government was paralyzed, so that the enormous amount of currency in circulation pushed the prices upward at a precipitous tempo. A currency adjustment measure was taken in February 1946. Nevertheless, the vicious price-and-currency cycle

soon reappeared. The spiralling price drove the Government and the business as well as the individual households into deficit financing, which in turn brought about increase in the amount of currency in circulation which reached its peak of ¥377,500,000,000 at the end of 1948.

The increases in currency issuance up to the end of 1948 is ascribable after all to the fact that Japan could not meet with her savings the needs of her financial and industrial rehabilitation, and she was obliged to fill the deficiency with additional note issuance.

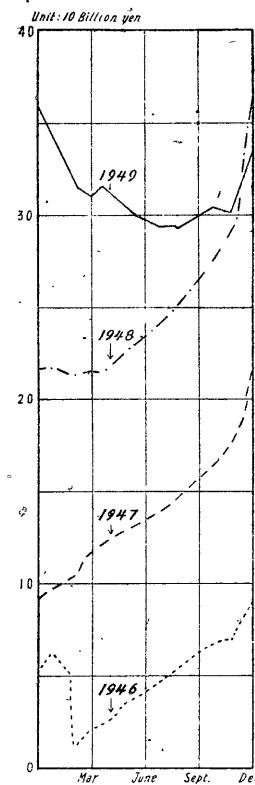
The so-called "nine principles" for economic stabilization were put into strict enforcement in December 1948, under which the budget was completely balanced but at the same time the supply of industrial funds was severely limited. As a result, the currency circulation took on an entirely different aspect as shown in the graph below. Such a large scale currency contraction had never been witnessed since the currency adjustment of February, 1946.

The circulation of deposit currency, which supplements the shortage of the regular currency is presumed to have fallen since March, 1949, as indicated in Table 16.

As regards the fluctuation of price caused by inflation, the index numbers of black market prices of production goods, counting the 1947 average as 100, are given in the following graph, which reveals a notable downward trend.

The semi-annual fluctuations of commodity price during past three years are shown in Table 17. A marked rise continued up to 1948, but it is to be noted that this upward movement slowed down in 1949, with the black market price and the official price showing a tendency to approach each other. The establishment of a single exchange rate in April, 1949, and the abolition of monetary subsidies to industrial enterprises, together with the relaxation of the various economic controls served to spur the approximation of the Japanese price levels to those of the world market. The normalization of economy has thus been achieved to a notable degree. A comparison between American and Japanese price levels is given in Table 18. While there remains still a considerable unevenness in the price level of Japanese commodities, it is actually coming closer to the international level.

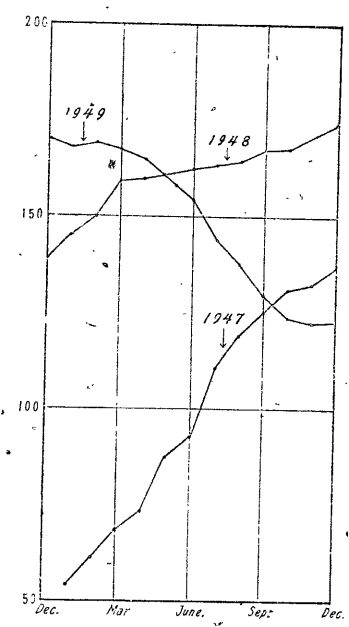
*Post-war Issue of Bank of Japan Notes*



(Source: Economic Stabilization Board)



*Index Number of Blackmarket Prices of  
Production Goods (1947 average=100)*



*(Source: Economic Stabilization Board)*

0047

## 5. National Income and Living Standards

### (1) National Income

The post-war national income registered nominally conspicuous increases from ¥382,000 million for 1946 fiscal year to ¥1,180,000 million for 1947, ¥2,229,300 million for 1948 and ¥3,077,000 million for 1949. But these increases were principally due to inflation, the real increases being insignificant. The income per capita as compared with 1930-34 when it averaged ¥174.20 (Note 7) has fallen noticeably in terms of 1930-34 prices to ¥123.60 for 1948 (71.0%) and ¥146.39 for 1949 (78.3%).

Moreover, under severe inflation the distribution of this meager national income was put out of balance, the income of the worker falling to a disproportionately low level. Whereas in 1930-34 the income percentage among the various segments of society stood at 43.9% for labor, 34.7% for management and 21.4% for others, the figures for 1949 were: labor, 33%, management, 57%, and others, 10%. The changes in the index numbers of per capita income are given in Table 19, which attests to the imbalance in the income distribution.

Finally, Table 20 shows how the national income has been expended. It is seen that the percentage of industrial investments, housing investments and overseas investments, against the total national income in 1930-34 was 10.0%; and 10.3% in 1949. Though slightly more in percentage, the absolute amount of investments in 1949 is less. Moreover, considering that 1930-34 were the years of depression when investments were at the lowest ebb, while the 1949 index represents a period which required brisk investments for post-war rehabilitation in various fields, it is needless to say that the post-war investment level is far too low.

(Note 7) Ref: "Report on Japan's Standard of Living."

### (2) Living Standards

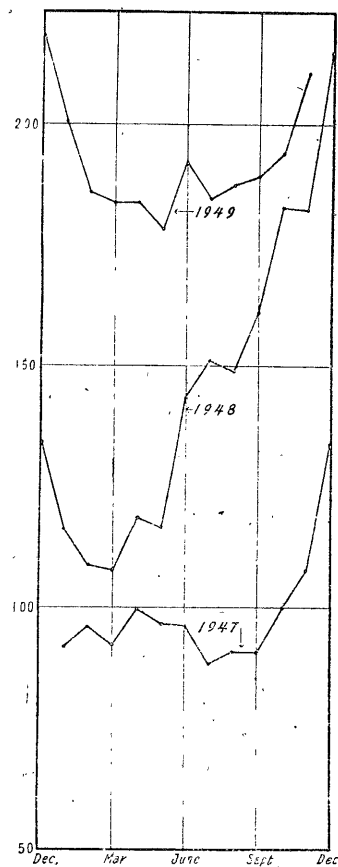
As stated above, the proportion of the household expenditures in the national income was greatly reduced from the 1930-34 average of 71% to 62% for 1949, owing to the increase in the tax burden and the costs of repairs and reconstruction.

Table 21 gives a comparison between the levels of household purchases in pre-war years (1934-36) and the post-war period (1948) according to the investigations made of family budgets in urban areas. The table reveals a fall of 59% in the real expenditures as represented in the volume of purchase. The proportion of food and drink expenditures, in the family budget (Engel's coefficient) which was around 35 per cent before the war, now exceeds 60 per cent.

The farming communities, with some 90% of the pre-war production have absorbed an additional population of more than 20 per cent.

The volume of commodity consumption shows also a sharp reduction. Whereas before the war the per capita and per diem intake of food was 2,240 calories and 11.7 grams of animal proteins, these figures have fallen in 1949 respectively to 1,960 calories and 7.2 grams. As regards clothing materials, the total annual consumption of cotton textiles including absorbent cotton, now stands at 1.48 pounds per capita which compares with 7.5 pounds for pre-war. And, as may be seen from the following graph, these low levels of household consumption have practically ceased to move upward through 1949. This stagnation leads to qualitative deterioration of labor, and renders difficult the maintenance and advancement of technological and intellectual efficiency and prevents the enhancement of economy. Directly it causes the shrinking of the domestic market.

*Index Number of Real Wage*  
(1947 average = 100)



(Source: Economic Stabilization Board)

#### PART IV. PROBLEMS OF JAPANESE ECONOMIC RECONSTRUCTION

##### 1. Economic Stabilization and a High Investment Level

The post-war economy of Japan requires restoration of war damage and losses, recovery of the capital exhaustion suffered during and following the war, modernization of her industrial facilities in order to attain the export goal essential for the country's self-support, and sustenance of her ever-growing population. To these ends it is imperative to maintain a high level of investments, without which it would be idle to hope for a speedy recovery of Japanese economy. However, an attempt to keep up investments by artificial creation of credit through the expansion of currency issuance would run counter to the policy of economic stabilization, so that the only alternative is to be found in the lowering of national living standards. In fact, the gradual economic recovery and stabilization of Japan, as described in the preceding pages, have been achieved principally at the expense of the nation's living standards. Accordingly, the present day Japanese economy has already lost much of its elasticity. Under this circumstance any measure that forces further lowering of the living standards would only aggravate the domestic, social and political difficulties, shaking the very foundation of the economic stabilization program. Even if it were possible to suppress by force the consequent social and political unrest, that would in no way conduce to the development of Japanese democracy which is being fostered.

The question then is how to maintain a high investment level without lowering the present living standard, if not elevating it. This is the question confronting Japanese economy on its road to recovery.

##### 2. Self-supporting Economy and Balance of International Payments

Japan today is registering huge excess outgoes in both visible and invisible trade balances. The deficits are covered by American aid.

The Johnston Report made public in April, 1948 states:

It has been estimated that Japan will require about \$1,575,000 of exports

each year (at current prices) to pay for essential imports of food and raw materials (and necessary invisible imports) to maintain a tolerable food ration and standard of living at home.

To realize such an amount of export Japan would have to triple her 1949 export. That would require not only the adjustment of all domestic factors, but also a speedy removal of the restrictions on Japanese trade activities—restrictions which have originated in the peculiar situation of Japan's being under occupation, and which remain still in force. Unless Japan is permitted to participate in the world commerce on an equal footing with other nations, it would be extremely difficult for her to effect a large scale expansion of her export trade.

Again, Japanese economy has always been bound up with the countries of East Asia by a close bond of mutual dependence. As long as Japan's East Asia trade does not grow to an extent, any large scale expansion of her export can hardly be expected. With regard to imports, too, cheap staple food, coal, iron ore and other indispensable raw materials can be obtained nowhere but from East Asiatic areas. Accordingly, it is an absolute prerequisite of Japanese economic self-support that these areas possess sufficient ability to pay for Japanese merchandise, and that a comprehensive program for their economic rehabilitation and development is instituted. For these purposes, it is necessary for the areas to increase substantially their exports to Japan, as it is also desirable that they are provided with the necessary funds for the development of their natural resources under a definite plan.

Finally, the restoration of shipping is obviously a vital technical factor in the expansion of Japan's foreign trade. Shipping, moreover, used to account for three fourths of Japan's invisible income. In this sense, the resurrection of her mercantile fleet is another indispensable requisite for Japanese economic independence.

The fundamental condition underlying the various requirements enumerated above is the re-admission of Japan to the family of nations in one way or another. If this fails to materialize, Japan's international payments will remain indefinitely unbalanced, and she will never achieve a self-supporting economy.

### 3. Conclusion

The foundation of Japanese economy was never solid. Scarcity of domestic resources, meagerness of capital accumulation, excess population, over-dependence on trade, and other basic ills were suddenly and drastically worsened by the war.

It is under such unfavorable conditions that the recovery of Japan's post-war economy progressed so slowly and the people's living standards continued to remain at the lowest level in the post-war years. Thanks to the fiscal and financial policy pursued since the end of 1948, the currency expansion and price rise have been halted, and inflation practically checked. On the other hand, the export trade has not developed as much as anticipated; effective demand has fallen with the curtailment of investments. Stocks are piling up, while production is either at a standstill, or showing a downward trend. In urban areas and in rural communities, unemployment, apparent and latent, is fast growing.

In these days where the world market is rapidly shifting from a seller's market to a buyer's market, a change of policy such as Japan has adopted for rationalizing industry and building up a robust economy, capable of withstanding foreign competition in world market is something that could not be put off. On the other hand, the same policy has brought hardships to the nation. For Japan, resolutely committed to a peaceful existence, and freed from the once onerous burden of military expenditures, economic rehabilitation can by no means be considered unattainable. In fact, in the four years since the war's end, Japanese economy has slowly but steadily recovered, surmounting a number of crises. Especially in the more recent months Japan has achieved a notable progress in checking inflation and stabilizing her economy.

Apart from the problem of world-wide dollar shortage, which requires an overall international solution, there are numerous problems, such as described above, that beset the path of Japan's economic recovery. And the solution of these latter problems are to be sought in the free activities of Japanese economy, which must be restored as soon as possible. It is most earnestly desired that under the coming peace treaty no restrictions are imposed upon the legitimate economic activities of Japan. At the same time, it would seem too much to expect of Japan to solve all problems and to achieve a complete recovery by herself. We cannot but hope that foreign aid will be continued for the time being, that foreign capital and foreign technology will be introduced on a large scale, and that Japan will be reinstated in the international society at the earliest possible date.

Table 1. Loss of Territory and Its Effect upon National Resources

Resources	Year	Unit	Japan's territory						Total	Man- churia	Grand total	Remarks
			Japan Proper	Areas Lost				Total				
				Korea	Formosa	Sag- h- alien	South Sea					
Area	1944	1,000 Km <sup>2</sup> %	383 56	221 23	36 5	36 5	2 1	295 44	678 100	1,310	1,988	
Population	1939	1,000 Persons %	73,114 71	23,709 22	5,896 6	407 1	121	30,133 29	103,247 100	40,175	143,422	
Rice	1937 to 1939	1,000 Koku %	67,051 68	21,764 22	9,401 10			31,165 32	98,216 100	4,987	103,203	
Wheat and barley	1937 to 1939	1,000 Koku %	23,284 64	13,174 36	23	21		13,218 36	36,502 100	8,323	44,825	not including rye
Sugar	1939	1,000 pci. %	2,074 8		23,645 87		1,172 5	24,817 92	26,891 100	258	27,149	
Soy bean	1937 to 1940	1,000 metric ton %	356 42	493 58	4			497 58	853 100	4,528	5,381	
Corn	1936 to 1938	1,000 Koku %	632 45	766 54	14 1	2		782 55	1,414 100	17,541	18,955	
Salt	1940	1,000 m.t. %	574 55	311 30	156 15			467 45	1,041 100	1,223	2,264	
Oil and fat	1938	1,000 m.t. (Vegetable oil) %	130 41	136 42	38 11		14 6	188 48	318 100			Figures for vegetable oil are compiled from the amount of raw material pro- duced in each area.
		1,000 m.t. (Fat) %	130 50	120 46		8 4		128 50	258 100			Figures for animal fat are compiled from the amount of finished goods pro- duced in each area.
Ammonium Sulphate	1941	1,000 m.t. %	1,240 73	448 27				448 27	1,689 100	137	1,826	
Lumber	1939	1,000 m <sup>3</sup> %	26,470 75	2,804 8	323 1	5,588 16		8,715 25	35,185 100	4,000	39,185	
Pulp	1941	1,000 long ton %	574 60	47 4	48 4	408 32		508 40	1,257 100	78	1,335	Wood and rayon pulp in total.
Rolled steel	1940	1,000 m.t. %	4,532 98	76 2				76 2	4,598 100	404	5,002	
Pig iron	1940	1,000 m.t. %	3,512 93	246 7	1			247 7	3,759 100	1,069	4,828	
Iron ore	1940	1,000 m.t. %	1,042 45	1,258 55				1,258 55	2,300 100	5,367	677	
Copper	1940	1,000 m.t. %	99 92	3 3	5 5			8 8	107 100	0.3	107	
Lead	1940	1,000 m.t. %	17 68	8 32				8 32	70 100	4	29	The figure marked * represents the amount produced in 1943.
Zinc	1940	1,000 m.t. %	61 87	9 13				9 13	56 100	10	80	The figure marked * represents produc- tion capacity in 1943.
Gold	1940	metric ton %	27 48	26 46	3 6			29 52	7,348 100	2	58	
Cement	1940	1,000 m.t. %	5,980 81	1,142 15	226 4			1,368 19	7,348 100	1,017	8,365	
Coal	1940	1,000 m.t. %	57,509 78	6,117 8	2,827 5	6,435 9		15,379 22	72,688 100	21,132	73,820	
Coal reserve	1944	1,000,000 ton %	16,220 78	1,760 8	400 3	2,360 11		4,520 22	20,740 100	18,680	39,420	
Hydro- electricity	1943	1,000 Kw %	5,605 79	1,241 17	267 4			1,568 21	7,113 100	650	7,884	The figure marked * represents power generated in 1944.
Coal power electricity	1943	1,000 Kw %	2,994 96	76 2	56 2			132 4	3,126 100	569	4,151	The figure marked * represents power generated in 1944.

Source: Bureau of Research, Ministry of Foreign Affairs

0052

Table 2. Comparison of the Rates of Survival of Resources and the Rate Survival of the Population (71%)

More than 71%		Less than 70%	
Rolled Steel	98	Area of Japan's territory	56
Pig iron	93	Rice	68
Copper	92	Wheat and barley	64
Zinc	87	Sugar	8
Cement	81	Soy bean	42
Coal	78	Corn	45
Coal reserve	78	Salt	55
Lumber	75	Fat and Oil vegetable oil	41
Ammonium sulphate	73	fat	50
Equipments for the water power plants	79	Pulp	60
Equipments for the steam power plants	76	Iron ore	45
		Lead	68
		Gold	48

Source: Bureau of Research, Ministry of Foreign Affairs

Table 3. Population Estimates for 1946-55

Year	Total population (at home)	Index number of the above
1930-34 average	66,339, (000 omitted)	100
1946	76,157,	115
1947	78,627,	119
1948	80,551,	121
1949	82,228,	124
1950	83,772,	126
1951	85,125,	128
1952	86,403,	130
1953	87,663,	132
1954	88,919,	134
1955	90,169,	136

Note: The figures for the years later than 1946 are as of 1 October each year.

Source: Statistics Commission (2nd estimation as of 27 September, 1948)

Table 4. Change in the Population Proportion according to Productive and Non-productive-age Groups

(in 1,000 persons)

Year	Population Total population		Non-productive- age (Below 14 years old)		Productive- age (15-59 years old)		Non-productive- age (old) (Over 60 years old)	
	Actual number	Percent- age						
Average for								
1930-34	66,339	100	24,403	36.8	37,047	55.8	4,889	7.4
1946	76,157	100	26,818	35.2	43,500	57.2	5,789	7.6
1947	78,627	100	27,766	35.3	44,921	57.1	5,940	7.6
1948	80,551	100	28,419	35.3	46,072	57.2	6,060	7.5
1949	82,338	100	29,023	35.3	47,116	57.2	6,199	7.5
1950	83,772	100	29,450	35.2	48,015	57.3	6,306	7.5
1951	85,125	100	29,741	34.9	49,010	57.6	6,374	7.5
1952	86,403	100	30,043	34.8	49,891	57.7	6,469	7.5
1953	87,663	100	30,379	34.7	50,719	57.9	6,565	7.5
1954	88,919	100	30,832	34.7	51,411	57.8	6,676	7.5
1955	90,169	100	31,073	34.5	52,299	58.0	6,797	7.5

Note: The figures for the years later than 1946 are as of 1 October of each year.

Source: Statistics Commission (2nd estimation as of 27 September, 1948)

Table 5. Amount of Steel Materials Consumed by the Government Railways

(in 1,000 metric ton)

	Equipment	Rolling-stock	Total
1936	176	61	237
1941	80	69	149
1944	54	83	136
1945	15	31	46
1946	28	59	87
1947	45	63	108

Source: Transportation Ministry



Table 6. Superannuation of Hydro-Electric Plants

Number of years	Number of Plants	Percentage	Authorized Generating Capacity (in Kw)	Percentage
Less than 5 years	43	3.2	368,654	6.1
6-10 years	92	7.0	1,290,638	21.3
11-15 years	108	8.2	991,327	16.3
16-20 years	107	8.1	655,657	10.3
Total	350	26.4	3,316,286	54.6
21-25 years	266	20.1	1,231,693	20.5
26-30 years	389	29.4	821,713	13.5
31-35 years	129	9.7	233,680	3.8
36-40 years	100	7.5	282,151	4.7
Over 41 years	68	5.1	87,967	1.4
Total	925	73.6	2,755,802	45.4
Grand total	1,324	100.0	6,072,088	100.0

Source: Japan Generating and Transmission K. K.

Table 7. Acreage under Cultivation

Year	Item (in 1,000 Chobu)					
	Rice	Barley	Rye	Wheat	Sweet potato	Potato
1937	3,217	330	429	725	289	171
1941	3,182	458	470	826	311	181
1945	2,893	404	481	730	404	215
1946	2,804	371	449	637	376	*188
1947	2,850	344	422	590	381	*202
1948	2,956	380	482	649	431	*222
1949	3,004	394	520	687	418	—

\* Planted in Spring

Source: Ministry of Agriculture and Forestry

Table 8. Agricultural Productivity (Harvest per *tan*)

Year	Item					
	Rice ( <i>Koku</i> )	Barley ( <i>Koku</i> )	Rye ( <i>Koku</i> )	Wheat ( <i>Koku</i> )	Sweet potato ( <i>Kan</i> )	Potato ( <i>Kan</i> )
1937	2.062	2.084	1.388	1.380	357	322
1941	1.731	1.817	1.438	1.292	345	288
1945	1.353	1.218	1.079	0.944	258	220
1946	2.189	1.033	0.723	0.705	391	*245
1947	2.062	1.457	1.119	0.959	312	*250
1948	2.123	1.502	1.200	1.063	378	*259
1949	2.066	1.590	1.170	1.050	351	

\* Planted in Spring

Source: Ministry of Agriculture and Forestry

Table 9. Volumes of Trade between Japan Proper and Her Colonies, Manchuria, and China  
(in 1,000,000 yen)

Area with which Japan proper traded	Average for 1930-34		1937				1941					
	export	% import	export	% import	export	% import	export	% import	export	% import		
Total amount of export and import	2,098	100	2,304	100	5,063	100	5,242	100	6,188	100	5,186	100
Korea	307	—	299	—	735	—	572	—	1,361	—	789	—
Formosa	140	—	231	—	278	—	410	—	379	—	372	—
South Sea	32	—	77	—	22	—	38	—	33	—	48	—
Saghalien	8	—	14	—	59	—	121	—	145	—	264	—
Total	485	23	621	27	1,094	22	1,141	22	1,918	31	1,473	28
Manchuria and Kwantung Province	204	—	148	—	612	—	294	—	1,029	—	422	—
China	152	—	115	—	179	—	144	—	630	—	433	—
Grand Total	832	40	984	43	1,885	37	1,579	30	3,377	58	2,328	45

Source: *Gaikoku Boeki Nempyo* (Annual Foreign Trade Report) issued by the Ministry of Finance

Table 10. Labor Productivity

Item	Unit	Pre-War	1948	1949	Remarks
Coal	Monthly Output per Head, All Miners	(1935) 17.6 tons	(April) 5.8 tons	(July) 7.8 tons	Average of all Japan
	Daily Output per Head	(1935) 2.14 tons	(July) 1.44 tons	(July) 1.67 tons	"
Steel	Monthly Production per Head, Steel Workers	(1941) 2.8 tons	(August) 1.0 ton	(August) 1.7 tons	"
	Cotton spinning per Head		(August) 431 lbs	(August) 557 lbs	"
Sheet glass	Monthly Production per Head	(1941) 135 cases	(August) 54 cases	66 cases	"
Ship-building	Hourly Length of Welding per Welder		(September) 99.5 CMs	(June) 105 CMs	Average of 2 Companies
	Hourly Numbr of Riveting per Riveter		(September) 11.7	(June) 14.2	"

Source: Economic Stabilization Board

Table 11. Production in Mining and Manufacturing Industries, 1949

	Mining and Manufacturing Industries	Basic Materials	Capital Materials	Daily Materials
April 1949	77.2	77.8	140.3	34.3
May "	73.4	77.7	118.5	35.8
June "	76.1	82.0	117.1	38.3
July "	75.0	81.9	114.5	36.6
August "	74.0	80.2	115.2	37.2

Note: Compared to figures for 1933-35 taken as 100

Source: Economic Stabilization Board

Table 12. Enterprise Adjustment in 1949

	Total	Mining	Construction	Manufacturing	Others
April	377 (14,955)	16 (676)	13 (1,373)	316 (11,024)	32 (1,882)
May	680 (27,276)	34 (1,394)	28 (151)	562 (23,160)	56 (1,531)
June	686 (32,641)	44 (2,100)	38 (1,699)	583 (25,561)	47 (2,207)
July	1,051 (92,357)	70 (3,696)	34 (1,535)	745 (41,411)	93 (3,512)
August	903 (41,468)	34 (1,890)	16 (509)	55 (3,210)	92 (2,841)
September	767 (33,796)	46 (2,475)	14 (523)	51 (1,903)	93 (6,746)
October	489 (21,597)	43 (3,779)	12 (470)	32 (1,681)	57 (4,303)
November	422 (21,366)	47 (2,746)	5 (350)	26 (1,788)	25 (4,939)
December	495 (17,039)	35 (1,874)	6 (59)	28 (937)	23 (696)

Note: Top figures indicate the number of enterprise adjustment.  
Bottom figures in parentheses the number of persons dismissed.

Source: Economic Stabilization Board.

Table 13. Volume of Trade

Year	Unit: \$1,000,000					
	Export			Import		
	Actual Volume	As converted into value of 1930-34	Index	Actual Volume	As converted into value of 1930-34	Index
1930-34 (Average)	704.1	704.1	100	760.8	760.8	100
1946	103.3	62.2	8.8	305.4	184.0	24.2
1947	173.6	82.4	11.7	526.1	249.7	32.8
1948	258.6	114.3	16.1	682.6	301.8	39.7
1949	510.9			887.5		

Note: Imports paid by GARIOA and EROA funds are included in the above figures. But imports by the Occupation Forces for their own use are not included.

Source: Ministry of International Trade and Industry

Table 14. (A) Proportions of Imported Articles in Value

Items	Unit: \$1,000,000				
	1930-34	Sept. 1945— Dec. 1946	1947	1948	1949
Food (Staple food, sugar, etc.)	620.8 (28.4%)	170.2 (55.73%)	295.2 (56.11%)	316.6 (46.38%)	360.9 (40.7%)
Fiber (Cotton & others)	829.4 (37.9%)	105.9 (34.68%)	84.0 (15.97%)	155.0 (22.71%)	214.0 (24.1%)
Fertilizer	69.2 (3.2%)	9.6 (3.14%)	67.2 (12.77%)	39.0 (5.71%)	24.1 (2.7%)
Petroleum	81.3 (3.7%)	10.5 (3.43%)	38.0 (7.22%)	51.8 (7.59%)	46.3 (5.2%)
Coal	94.5 (4.3%)	0 (0)	0.3 (0.06%)	24.6 (3.60%)	45.3 (5.1%)
Metals & Minerals	129.2 (5.9%)	0.3 (0.1%)	2.6 (0.49%)	16.7 (2.45%)	59.9 (6.7%)
Machines	4.2 (0.2%)	0.1 (0.03%)	7.2 (1.37%)	0.4 (0.06%)	2.1 (0.2%)
Medicinal Chemicals	30.7 (1.4%)	3.6 (1.18%)	6.7 (1.27%)	8.4 (3.82%)	24.1 (2.7%)
Salt	14.3 (0.7%)	4.7 (1.54%)	12.1 (2.3%)	26.1 (3.82%)	25.8 (2.9%)
Fat & Grease	151.7 (6.9%)	0 (0)	5.1 (0.97%)	9.8 (1.44%)	22.8 (2.6%)
Rubber	87.3 (1.7%)	* (*)	6.0 (1.14%)	11.7 (1.72%)	15.1 (1.7%)
Others	124.9 (5.7%)	0.5 (0.17%)	1.7 (0.33%)	22.5 (3.29%)	35.8 (4.1%)
Total	2,187.5 (100%)	305.4 (100%)	526.1 (100%)	681.6 (100%)	887.5 (100%)

\* Negligible

Source: Ministry of International Trade and Industry

Table 14. (B) Proportions of Imported Articles in Quantity

Items	Unit: 1,000 metric tons				
	1930-34	1946	1947	1948	1949
Raw Cotton	721.8	158.8	126.0	94.2	191.5
Row Wool	84.7	0	1.2	10.1	18.7
Flax, Ramie & Jute	54.5	0	0.1	7.6	12.8
Paper Pulp	114.6*	0	5.9	4.0	57.3
Crude Rubber	55.3	0	16.2	30.3	42.0
Coal & Coke	8,643.0	0	33.0	1,172.9	1,808.7
Salt	706.1	301.0	837.7	1,173.3	1,673.1
Iron Ore	1,942.6	0	0	531.2	1,590.4
Pig Iron	647.2	2.0	7.4	10.9	142.6
Petroleum	2,662.3**		1,302.3	1,673.2	2,059.4

Note: \* Average quantity imported during 1935-39

\*\* By the Ministry of International Trade and Industry

The figures for petroleum includes crude and refined oil.

Source: Japanese Economic Statistics, SCAP

Table 15. Proportions of Exported Articles

Items	1930-34	Sept. 1945— Dec. 1946	1947	Unit: \$1,000,000	
				1948	1949
Food	71.0 (4.1%)	2.2 (2.1%)	4.3 (2.3%)	12.1 (4.7%)	23.0 (4.5%)
Fiber	993.0 (57.2%)	62.1 (60.1%)	131.1 (75.5%)	159.2 (61.6%)	278.0 (54.4%)
Raw Silk	189.6 (10.9%)	56.9 (55.1%)	10.8 (6.2%)	22.1 (8.5%)	17.4 (3.4%)
Cotton Yarn	28.7 (1.7%)	2.6 (2.5%)	17.7 (10.2%)	6.9 (2.7%)	
Rayon	68.0 (3.9%)	1.2 (1.2%)	6.3 (3.6%)	9.5 (3.7%)	34.9 (6.8%)
Cotton Cloth	436.8 (25.1%)	0.2 (0.2%)	85.4 (49.2%)	91.4 (35.8%)*	189.6 (37.1%)
Silk Cloth	24.0 (1.4%)	0.2 (0.2%)	6.4 (3.7%)	16.2 (6.3%)	17.7 (3.5%)
Metals & Minerals	84.0 (4.8%)	14.6 (14.1%)	4.8 (2.8%)	11.8 (4.6%)	68.7 (13.5%)
Coal	24.4 (1.4%)	9.9 (9.6%)	8.1 (4.7%)	11.1 (4.3%)	8.8 (1.7%)
Machines	76.0 (4.4%)	5.3 (5.1%)	7.1 (4.1%)	12.9 (5.0%)	51.9 (10.2%)
Fertilizer	16.0 (0.9%)	* (*)	2.5 (1.4%)	2.9 (1.1%)	
Medicinal Chemicals	39.0 (2.2%)	1.5 (1.5%)	2.1 (1.2%)	8.3 (3.2%)	
Lumber	20.0 (1.2%)	1.9 (1.8%)	5.6 (3.2%)	3.4 (1.3%)	
Chinaware & Glassware	38.0 (2.2%)	** (**)	1.1 (0.6%)	11.4 (4.4%)	20.5 (4.8%)
Others	375.9 (21.6%)	5.8 (5.7%)	5.9 (4.0%)	25.5 (9.8%)	60.0 (11.0%)
Total	1,737.3 (100%)	103.3 (100%)	173.6 (100%)	258.6 (100%)	510.9 (100%)

Note: \* The figure for 1949 of the cotton cloth includes the exported value of the cotton yarn.

\*\* Negligible

Source: Ministry of International Trade and Industry

Table 16. Clearing of Bills

		Number of Bills (Unit: 1,000)	Value (Unit: ¥1,000,000)
January	1949	2,546	378,518
February	"	3,120	441,338
March	"	3,680	535,038
April	"	3,498	526,967
May	"	3,725	518,036
June	"	3,641	509,887
July	"	3,585	512,543
August	"	3,754	555,020
September	"	3,807	568,548
October	"	3,953	624,611
November	"	4,046	616,497
December	"	5,142	803,726

Source: Bank of Japan

Table 17. Rise of Commodity Prices for the Past 3 Years

	Sept. 46— Mar. 47	Mar.— Sept. 47	Sept. 47— Mar. 48	Mar.— Sept. 48	Sept. 48— Mar. 49	Mar.— Sept. 49
Official Prices (Tokyo)						
Wholesale	24	170	30	98	12	10
Retail	14	83	85	84	18	11
Black Market Prices (Tokyo)						
Production Materials	98	84	30	13	2	*17
Consumption Goods	77	57	39	17	7	*3
Consumers' Effective Prices (All Cities)	47	92	21	32	17	

Note: Figures indicate the percentage of rise of commodity prices compared with those of the preceding half year.

\* indicates fall.

Source: Bank of Japan, except Consumers' Effective Prices Prepared by the Statistics Bureau, Prime Minister's Office



Table 18. Comparison of Price Standards between Japan and U.S.A. (April and October of 1949)

Item	Unit	U.S. Market Price (Converted into yen)	Manufacturers' Price at Home		Consumers' Price at Home		Black Market Price in Tokyo	
			Apr.	Oct.	Apr.	Oct.	Apr.	Oct.
Pig-iron (for making steel)	1 ton	16,527 (100)	12,420 (75.1)	17,000 (102.9)	3,600 (21.8)	8,200 (49.6)	7,600 (46.0)	7,500 (45.4)
Steel Bar (19 mm)	1 ton	26,640 (100)	17,660 (66.3)	20,700 (77.7)	10,120 (38.0)	13,760 (51.7)	11,760 (44.1)	13,000 (48.8)
Electric Copper	1 ton	129,632 (100)	181,060 (139.9)	—	102,140 (78.8)	78,000 (60.2)	90,000 (69)	—
Aluminium	1 ton	134,884 (100)	175,000 (130)	—	155,000 (115)	130,000 (960)	—	—
Ammonium Sulphate	1 ton	17,280 (100)	17,835 (103.2)	20,261 (117.3)	11,126 (64.4)	12,794 (74.4)	106,600 (617)	101,330 (586)
Caustic Soda	1 ton	20,000 (100)	Ammonia		110,856 (104.3)	30,000 (150)	42,000 (210)	24,300 (121.5)
			31,400 (157.0)	38,810 (191.6)				
Cotton Yarn	100-lbs	21,600 (100)	Electrolysis		14,552 (67.4)	—	95,000 (439.8)	50,000 (231)
			29,000 (145.0)	34,570 (172.9)				

Source: Economic Stabilization Board

Table 19. Income per Capita

	Earned Income	Agricultural & Forestry Operator's Income	Business Operator's Personal Income
1930-34	100%	100%	100%
1948	62.55%	130.19%	178.57%
1949	79.56%	132.45%	173.78%

Source: Economic Stabilization Board