

of course, incalculable. The agricultural land reform was, in fact, a revolutionary measure, and to have carried it out without any major friction, and certainly without anything in the nature of serious disturbance or bloodshed, was an achievement that cannot be dismissed lightly, particularly when one remembers the unsettled state of the country at that time. The possible outbreak of such troubles had been feared by some during the deliberations on the reform bill in the Diet, but the event showed our apprehension to have been groundless.

There occurred, of course, a certain amount of confusion in some districts; there were bound to be details in the reform plans that were open to criticism. But no one can deny that the reform contributed immeasurably toward raising the standards of living of the agricultural classes, or that the effects this stabilization and improvement of life in the rural areas had on the social unrest in Japan as a whole were profound. This was one of the immediate benefits of the land reform. And when we think of what that fact saved us from, we should also remember at the same time the sacrifice paid by the landowners and their uncomplaining attitude throughout. . . .

Following the signing of the San Francisco Peace Treaty, there were those who demanded, and others who vaguely expected, that as the agricultural land reform had been enacted with the strong support and encouragement of the occupation authorities, some of its measures should be repealed. We decided, on the contrary, to incorporate the principles of the reform into the body of our national laws by combining them in one law, for which purpose a bill was introduced during the thirteenth session of the Diet held in 1952, while my third Cabinet was in office, under the title of the Agricultural Land Bill. This was passed by both Houses by an overwhelming majority, including the Socialists, and became law on July 15, 1952.

TOWARD ECONOMIC RECOVERY

Japan's economic recovery during the first three years of occupation was not insignificant, but the country was still plagued by rising prices and labor disputes. In July 1948, General MacArthur urged the Japanese government to commence an austerity program that was not well received by the minority coalition Cabinet headed by Ashida. The government changed hands on October 19 when Yoshida Shigeru formed his second Cabinet, but it proved to be equally recalcitrant. To strengthen General MacArthur's hand, on December 18 of the same year, the State and Army Departments issued a joint statement saying that General MacArthur would direct the Japanese government to carry out a program of economic stabilization (Document 14). Known to the Japanese as the "Nine Basic Economic Principles," it spearheaded some drastic economic reforms that were to follow, including the "Dodge budget" or "Dodge line" for the following fiscal year. It took its name from the Detroit banker who came to

help implement the anti-inflationary economic measures. Government subsidies for key products, such as steel, coal, nonferrous metals, and fertilizer, were gradually and steadily reduced.

In 1948, the occupation of Japan was costing the United States about \$450 million a year, not counting the actual expenditures for maintaining the occupation troops. By stabilizing the Japanese economy and boosting its production of export goods, it was hoped that the order would improve Japan's recovery and eventually reduce the cost to the United States of occupying Japan.

Domestically, the austerity budget forced a massive firing of government workers, including a large number of railway workers. Three incidents involving the Japanese National Railways, in which murder and sabotage were suspected, underscored the seriousness of these austerity measures.

One of the major features of the stabilization efforts was fixing the yen's exchange rate against the U.S. dollar at 360 yen to a dollar. This rate remained in effect until 1972.

14 SCAP Program for Economic Stabilization, 1948²¹ The Departments of State and Army announced on December 18 that the supreme commander for the Allied powers will direct the Japanese Government to carry out an effective economic stabilization program calculated to achieve fiscal, monetary, price, and wage stability in Japan as rapidly as possible, as well as to maximize production for export. . . .

Economic stability is a most urgent requirement for assuring the continuation of Japan's economic recovery and ensuring the maximum effect from use of United States-appropriated funds. General MacArthur and responsible officials in Washington have been encouraged by the marked general recovery in Japanese industrial production through 1948 (with November at 62 percent of the 1930-34 average and 47 percent above a year ago) and by the anticipated increase in exports this year to about \$260 million, 48 percent above 1947. General price and monetary inflation have continued, however, with the consumer price level and note issue increasing 60 percent over the period between November 1947 and November 1948. The retarding effects of this general and continuing inflation, together with the dangers to the gains already achieved, have made apparent the necessity for more resolute and intensive action by the Japanese.

Improvements in the Japanese general standard of living will be contingent on the degree to which the Japanese give wholehearted support to the achievement of economic stabilization and recovery. Their performance in carrying out their program will be weighed in connection with future requests for appropriated funds for Japan.

²¹Department of State Bulletin 20, no. 497 (January 9, 1949): p. 60.

Countries that are recipients of United States assistance under the Economic Cooperation Act of 1948 have also undertaken certain measures similar to those specified in this program. These include financial and monetary measures necessary to stabilize their currencies, to establish or maintain valid rates of exchange, to balance their budgets as soon as practicable, and generally to maintain confidence in their monetary system. The action in Japan is in line with the efforts of the United States in other parts of the world to contribute to general economic recovery.

The necessity for such a program was recognized by General MacArthur in July 1948 when he urged upon the Japanese Government a program that was substantially that which he has now directed they carry out. The specific objectives of the program are:

A. Achieving a true balance in the consolidated budget at the earliest possible date by stringent curtailing of expenditures and maximum expansion in total governmental revenues, including such new revenues as may be necessary and appropriate.

B. Accelerating and strengthening the program of tax collection and ensuring prompt, widespread, and vigorous criminal prosecution of tax evaders.

C. Assuring that credit extension is rigorously limited to those projects contributing to the economic recovery of Japan.

D. Establishing an effective program to achieve wage stability.

E. Strengthening and, if necessary, expanding the coverage of existing price-control programs.

F. Improving the operation of foreign trade controls and tightening existing foreign exchange controls, to the extent that such measures can appropriately be delegated to Japanese agencies.

G. Improving the effectiveness of the present allocation and rationing system, particularly to the end of maximizing exports.

H. Increasing production of all essential indigenous raw material and manufactured products.

I. Improving efficiency of the food-collection program.

[The above program must be implemented before steps can be taken toward an early establishment of a unified exchange rate for the Japanese currency.]²²

END OF THE AMERICAN OCCUPATION

The occupation of Japan officially came to an end when the Treaty of San Francisco (Document 15) took effect on April 28, 1952. The treaty, which was

²²This provision is found in the version published in Japanese newspapers on December 19, 1948, but is missing from the version in the *Department of State Bulletin*. It is retranslated from the Japanese version.

*signed on September 8, 1951, however, was not joined in by the Soviet Union, nor was either of the Chinas invited to the conference.*²³

A separate Security Treaty between the United States and Japan was signed, also on September 8, 1951, which granted to the United States the right to station its land, sea, and air forces in and about Japan, to be utilized for the maintenance of peace and security in East Asia (Document 16).

The treaties reflected the existing climate of the Cold War and left a long-lasting impact on the future conduct of Japan's domestic and foreign affairs.

Within less than two weeks after the coming into effect of the peace treaty, the Asahi newspapers conducted a public opinion survey to determine the reaction of the Japanese public. The survey was conducted on May 9, 10, and 11, and was published on May 17. It is reproduced as Document 17

15 Treaty of Peace, San Francisco, September 8, 1951²⁴

Chapter I PEACE

ARTICLE 6. (a) All occupation forces of the Allied powers shall be withdrawn from Japan as soon as possible after the coming into force of the present Treaty, and in any case not later than 90 days thereafter. Nothing in this provision shall, however, prevent the stationing or retention of foreign armed forces in Japanese territory under or in consequence of any bilateral or multilateral agreements which have been or may be made between one or more of the Allied powers, on the one hand, and Japan on the other. . . .

16 Security Treaty between the United States of America and Japan, 1951²⁵

Japan has signed a treaty of peace with the Allied powers. On the coming into force of that treaty, Japan will not have the effective means to exercise its inherent right of self-defense because it has been disarmed.

There is danger to Japan in this situation because irresponsible militarism has not yet been driven from the world. Therefore, Japan desires a security treaty

²³Japan subsequently concluded a peace treaty with the National Government of China at Taipei on April 28, 1952. A joint "peace declaration" was signed in Moscow on October 19, 1956, but there has been no official peace treaty between Japan and the USSR or its successor, Russia. [As of September 1996 as this book goes to press.] On September 29, 1972 Japan signed a joint communiqué with the People's Republic of China that declared that the legal "state of war" was terminated. At that time, Japan's 1952 treaty with Taipei was nullified. A formal treaty between Beijing and Japan, "A Treaty of Peace and Friendship," was signed on August 12, 1978.

²⁴Full text in Raymond Dennett and Katherine D. Durance, eds., *Documents on American Foreign Relations*, vol. IX, 1951 (Boston: World Peace Foundation, 1953), pp. 470-79.

²⁵*Ibid.*, pp. 266-67.