Memoir of a Trustbuster

A Lifelong Adventure with Japan

Eleanor M. Hadley

with

Patricia Hagan Kuwayama

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with an Introduction by
Patricia Hagan Kuwayama
and Hugh T. Patrick

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Contents

Preface

This book grew out of an effort at the Center on the Japanese Economy and Business in Columbia University's Graduate School of Business, headed by Hugh Patrick. More fundamentally, it is the product of a wonderful institution called the Japan Economic Seminar, which Professor Patrick helped to found some thirty years ago. Because back then there were not enough Japan specialists at any one institution to constitute a good seminar, it became necessary to think in terms of more than one university. Patrick, then of Yale University, joined with Henry Rosovsky of Harvard and James Nakamura of Columbia to create an interuniversity seminar on the Japanese economy. The seminar, still thriving, is open to all who wish to attend—student or professor, and whether involved in academic, private sector, or government activities. It is members of this seminar who brought this *Memoir* into being. Because I was one of a small number of Americans to have studied in Japan before World War II, and because I was a participant in the planning of the Occupation and in MacArthur's direction of it in the 1946–1947 period, the members of the seminar thought that my experiences might hold interest for others. It is my hope that they will.

Robert Feldman, now chief economist in the Tokyo office at Morgan Stanley, proposed the idea of my writing this memoir and made a substantial gift to the Center on Japanese Economy and Business toward its production. Hugh Patrick provided superb criticism and provocative suggestions for filling out the themes in early drafts. Patricia Hagan Kuwayama is the real reason this memoir exists, and to her I owe by far my greatest debt. When my energy flagged, she would take over with her skill in drafting and her knowledge of the Japanese economy and written

Japanese. In addition, she edited the whole of this manuscript. I am immensely grateful to Feldman, Patrick, and Kuwayama.

One cannot write a factual story without the help of librarians. Miwa Kai of the Starr East Asian Library at Columbia University contributed significantly to the story, as did Keiko Yokota-Carter of the East Asian Library at the University of Washington. And there were the innumerable occasions when the librarians of "Quick Information" at the Seattle Public Library were invaluable.

E.M.H.
Seattle, Wash.
October 2001

Introduction

Patricia Hagan Kuwayama and Hugh T. Patrick

How was it that a young American woman, who graduated from college in 1938 with a degree in politics, economics, and philosophy and only a modest knowledge of Japan, came to be an economic policymaker centrally involved in establishing Japanese antitrust policy and in breaking up its giant, family-owned business combines *(zaibatsu)* during the Allied Occupation of Japan, and then went on to become an eminent specialist on the Japanese economy? What propelled her to earn a Ph.D. in economics from Radcliffe (since Harvard then did not award Ph.D's in economics to women)? Why did this nice, diligent, high-performing liberal come to be blackballed from government service in postwar Washington? How was it that, after following an academic career, she was vindicated, obtained security clearance once again, and subsequently returned to Washington, D.C., and in due course became one of the leading Japan specialists in government service? Read this *Memoir* and obtain real insights, among other matters, on what one female professional had to cope with over her career. This book tells us as much about America as it does about Eleanor Hadley. But this fact is in part only a backdrop to her substantive discussion of the Occupation's economic deconcentration policies aimed at creating a more efficient and competitive Japanese economy.

Moreover, the economic issues that Eleanor Hadley dealt with during the Occupation of Japan and subsequently have once again become salient internationally, notably in the areas of antitrust and pro-competition policies, and of family-owned big business groups in developing countries that result in highly concentrated economic power, typically spill-

ing over into political power. A further cautionary lesson for the United States today is to be reminded both of the social civil liberties costs and, of course, the personal cost and pain to Eleanor Hadley herself of being falsely accused, by the innuendo and character assassination, of being un-American in an era of hysterical fear of subversive external threats.

We shall address these topics here. First, however, we shall explain how we came to know Eleanor as a scholar and as a person, and provide a brief summary of her professional career as context. We write as two of her more "recent" long-term colleagues and friends, having come to know her over the past three decades first as the author of *Antitrust in Japan* (1970). For both of us, that book provided the first clear understanding of the nature, size, and impact of Japan's prewar *zaibatsu*, their dramatic growth during World War II, and their forced dissolution as family-owned business groups, a process that led to widely dispersed stock ownership and professional management control of major companies in Japan. That book was a seminal study and continues to be a classic source. While this *Memoir of a Trustbuster* stands very much on its own, it can profitably be read with the earlier book in mind.

ABOUT ELEANOR HADLEY

Like many others, we came to know Eleanor as a scholar and as a person through our mutual participation in the Japan Economic Seminar, an ongoing East Coast interuniversity seminar for faculty, active professionals, and advanced graduate students interested in the Japanese economy. Started in 1966, the seminar initially met at Yale, Columbia, and Harvard eight Saturday afternoons a year to discuss working papers or any aspect of the Japanese economy, circulated in advance. Once she joined, Eleanor Hadley became a regular participant and valuable member, and still attends from time to time. Indeed, she became the de facto leader of the Washington group, eventually persuaded the organizers to hold some meetings regularly at George Washington University, and for a period served as secretary-treasurer (the only office) of the seminar. Eleanor is a private person of great intellectual honesty and personal integrity. Without hesitation, she has forthrightly brought to the invariably lively seminar discussions definite views and judgments. These traits shine through in this *Memoir.* She has a clear, straightforward, flowing writing style,

which can be deceptive, because she often suddenly zaps the reader with a startling gem of a one-liner.

For years, colleagues and friends have urged Eleanor to write a memoir that would inform us of her unique experience and perspective. As American economists involved in Japanese studies, we wondered how a young woman from Seattle came to take herself off to Japan and China in the late 1930s to embark on the cross-cultural adventure that has been her life. And we yearned to know more about the role she played in formulating Occupation economic policies that had such a major influence on postwar Japan. Robert Alan Feldman, who knew Eleanor from his graduate student years at MIT during which he, too, participated in the Japan Economic Seminar, and who now is Morgan Stanley's chief economist in Tokyo, was the one who finally got this project going. He has provided enthusiastic motivation and contributed financial support through the Columbia University Center on Japanese Economy and Business for this *Memoir* project.

We have not been disappointed. On the first topic, Eleanor describes in these pages the somewhat accidental course that led her to become interested in Japan and the Japanese, and to travel to Japan for the first time in 1936 as a Mills College representative to the third America–Japan Student Conference. Even more remarkable is that this gifted young woman had the curiosity and adventurousness to return to the difficult environment of late-1930s Japan for further study—including two long trips around war-stressed Northeast Asia—and the resiliency to stay the course.

These experiences without a doubt laid a foundation for what Eleanor Hadley has been able to bring to the study of Japan's economy. In *Antitrust in Japan* as well as her other writings, economic developments and policy are understood in the broad context of history and institutions as well as for their own sake. Rereading these, one finds plainly illuminated any number of aspects of Japanese economic structure, or the way in which Japanese think about their economy, that many of us have been rediscovering for decades.

In this and other work that Eleanor has done, she seems always to have had that rare combination of intimacy and distance that allows for the best contributions of an outsider analyzing Japan. Clearly sympathetic with Japanese as individuals, knowledgeable and admiring of many aspects of Japanese culture, she is nevertheless as critical and demanding in her appraisal of Japanese performance as she is in assessing

her own compatriots, and indeed herself. No Chrysanthemum Club or stereotypical Japan-bashing to be found here. While Eleanor speaks admiringly about the language training and other advantages that later generations of Japan specialists have acquired, one has to be just as envious of the long view that her experience has provided.

On the subject of the Occupation, this memoir gives a much fuller sense of the influence that Eleanor had in fleshing out deconcentration policy, and in the course of that provides a most useful perspective on the intellectual genesis of that whole approach. While *Antitrust in Japan* did a good job of presenting the arguments involved and assessing the fruits of the effort, Eleanor has never been prone to say enough about her own role. She has clarified that here, and demonstrates that the motivation for deconcentration in Japan came out of a much broader framework: it was born out of America's New Deal reforms framed in response to the Great Depression and developed during the war years in cognizance of the way in which trusts and cartels had been used to consolidate Germany's economic and military power.

POLICIES FOR *ZAIBATSU* DISSOLUTION AND ECONOMIC DECONCENTRATION

Eleanor Hadley became involved in 1944 as a member of one of the U.S. State Department's first economic divisions, having been "borrowed" initially from her position in the Office of Strategic Services (OSS) in order to help draft U.S. postwar policy toward the *zaibatsu*. One of the *Memoir*'s most fascinating insights is the reminder that this group (the International Business Practices Section within the Commodities Division) was the same one that, before she joined it, had drafted the U.S. government's proposal for a "Havana Charter." The latter was a broad outline for a postwar world trade organization, one that went beyond prohibition of trade restrictions alone to embrace issues of economic development, employment practices, and restrictive business practices. It was adopted in March 1948 by the UN Conference on Trade and Development but never ratified by the U.S. Senate, although the GATT—as the surviving component—has been a key institution of the postwar economic order. It is interesting to realize that we are now, with the formation of the World Trade Organization (WTO), once again engaging the broader issues that the Havana Charter took as its starting point. Its designers had already well-formed ideas on deconcentration as part of the design

of a postwar democratic order, which naturally influenced the formulation of U.S. policies in postwar Japan. And, as Eleanor rightly reminds us, these ideas were strongly shared at the highest levels of the U.S. government.

The Basic Directive stated the fundamental policy of the U.S. government to be implemented in postwar Japan by the U.S. Occupation forces. It came out of a three-department (State, War, and Navy) effort and was uncompromising in its instructions to General Douglas MacArthur's Occupation. Among other major reforms, it required thorough reorganization of Japan's concentrated business structures. Having drafted the research policy paper on the *zaibatsu* that was the basis for the relevant portion of the Basic Directive, Eleanor hoped to participate in its implementation from the start, but there was an eight-month delay before she finally arrived in Tokyo in the spring of 1946 as one of the first women professionals allowed to become part of the officialdom of SCAP (acronym for Supreme Commander for the Allied Powers, the Allied Occupation of Japan Administration, sometimes also referred to as GHQ—General Headquarters).

Once there, she found herself almost immediately playing a key role, as she was (during her first several months) the only member of the Occupation staff with a knowledge of and commitment to the economic deconcentration program as it had been conceived in Washington. Her first, carefully reasoned four-page memorandum (reproduced in this *Memoir* in Chapter 3) detailed the ways in which implementation was departing from the Basic Directive and focused the attention of MacArthur and his top policy advisors on the need to put the program back on the intended track. The result was a more serious and comprehensive effort to tackle, not just the narrow base of legal ownership by Japan's "top holding companies," but the far more important, complex webs of underlying control known as "combines." This remained the direction of SCAP deconcentration policy until changes in domestic U.S. politics and growing concern over Communist expansion in Asia led to a "reverse course," in which Japan came to be viewed less as an ex-enemy to be reformed and more as an ally to be built up as a foil against the USSR.

Whether the deconcentration policy would have been better if its implementation had been more, or less, thoroughgoing, is a continuing debate that this *Memoir* will not end. Many scholars agree with Eleanor Hadley that the deconcentration effort helped to make postwar Japan a more open and democratic society as well as a more competitive and stronger economy. Interestingly, this view is probably more dominant

among Japanese economists and other intellectuals than it is in the United States. Western views cover a wide range, including some who view the program's achievements as inconsequential and others who believe it was overkill—or would have been if fully carried out. Today, these arguments are not highly politicized, and judgments of the economic impact of the *zaibatsu* dissolution are not necessarily correlated with analysts' location on the overall spectrum of "liberal" versus "conservative" opinion. They are much more a function of economic theory and empirical approach: in particular, of economist views about the breadth of industry categories to which policy-relevant measures of competition should apply to achieve economic efficiency, and of political economist views of the economic power of big business groups spilling over into and being intertwined with political power.

It was not so in the 1940s. For those of us who grew up with New Deal legislation as part of the fabric of our postwar society, it is hard to remember with what bitterness Franklin Delano Roosevelt and his policies were opposed by business leaders during the 1930s. These differences receded, and to some extent were permanently mended, during the war years. But postwar they obtained reinforcement for some with the growing recognition of the extent of the threat posed by Soviet expansion aims. The Occupation staff had its own divisions along these lines, the most vocal opposition being led by General Charles Willoughby, a man of long and loyal service to MacArthur who headed the intelligence section. Willoughby's views and activities were widely known among Occupation staff members (although few had a clear grasp of their extent), and succeeded in intimidating some. His conspiracy theories were dismissed by his fellow generals, however, and he had limited success in changing Occupation policy, as MacArthur and his main advisors staunchly adhered to the direction set from Washington in the Basic Directive. Willoughby's response to this frustrating rejection has been described as "an ultra-conservative general's revolt against a liberal Occupation by means of character assassination."[1]

BLACKLISTED

For Eleanor Hadley, the significance of Willoughby's intrigue became evident only much later, when she discovered that she had somehow been "blackballed" for service in early postwar official Washington by being denied the security clearance she previously had held. Having

gained professional satisfaction and high ratings in the work she did on MacArthur's staff, Eleanor chose to pursue government service after completing her economics doctorate at Radcliffe in the face of an impressive array of offers including academic, nonprofit, and official positions. But after the repeated unexplained "disappearances" of positions offered, or simply failure to respond to her inquiries, she eventually realized that—without the knowledge of any of MacArthur's trusted advisors with whom she had worked directly in Tokyo—she had indeed become an object of Willoughby's vendetta against those whose activities he deemed too "radical." From friends in Washington and in Japan, she was able to obtain wisps of the questions being asked about her, but never an outright accusation to which she might respond.

Today, Willoughby's papers are open to public view, and it is easy to see why he took care to keep them secret at the time: the accusations about "subversive elements" and "international conspiracy" in GHQ were so lacking in basis that they would easily have been refuted if brought into the open. Any credibility that might be presumed is demolished by reading his lurid, loosely woven descriptions of "a small Jewish clique, associated with the Symphony Orchestra, partly State supported. One Jew recommends the other; so here we find strange characters drift into Tokyo, many of them via Shanghai, where they work mysteriously and precariously. . . ."[2] The ultimate product of Willoughby's efforts, a report entitled "Leftist Infiltration into SCAP," describes a "genus Tokyo" —persons "of Russian or Russian-satellite background"—as somehow associated with eventual fifth-column, Communist-front, and espionage activities in Japan or the United States.[3] Eleanor, of course, could not be put under this particular "cloud," as she was neither Jewish nor of Eastern European origin—although she did ignore advice from a fellow member of the Occupation staff that she should drop her close friendship with one of these "murky twilight zone suspects."[4]

Clearly, what rankled Willoughby about Eleanor was the work that she did in GHQ, implementing a *zaibatsu* dissolution policy of which he thoroughly disapproved. With some help from Japanese business interests, who had their own reasons for opposing the deconcentration measures, Willoughby did his best to undermine her reputation. The section on her in the written report is mainly remarkable for what it does *not* accuse her of: it explicitly states that she was not reported to have Communist sympathies or affiliations, although it says she was known to have "extremely liberal political and economic views." Nor is there any suggestion that she might have revealed confidential information to un-

authorized persons about SCAP policy—the presumed reason for concern about her social relationships with some of the journalists then operating in Tokyo. The entire "case" against Eleanor Hadley appears to have been based on the fact that she was seen frequently as the date of Joseph Fromm, a reporter with *World Report* (which later became *U.S. News and World Report*). Fromm is described by Willoughby as a "member of the 'leftist cell' at the Tokyo Press Club"; in fact, Fromm went on to a distinguished career with *U.S. News and World Report,* for some years as a foreign correspondent and then as one of its three senior editors in Washington, before he retired. The Willoughby report's conclusion on Eleanor was:

> Although no positive derogatory information is on record in Miss Hadley's files, in view of her close association with this extremely leftist element in the Tokyo Correspondents' Club, she is being made subject of continued investigation. Moreover, her position in the Government section where she enjoys close personal and professional association with known leftist personnel, such as Thomas A. Bisson, further suggests the possibility that she is being exploited by leftists in and outside GHQ. It is believed that Miss Hadley's relative immaturity and her lack of sufficient experience for a position of such responsibility would make her easily susceptible to such exploitation.[5]

This last statement, though Eleanor does not say so herself, jumps out as something that would be most unlikely to be said about one of her male counterparts. One cannot help feeling that Willoughby's outrage was partly at the idea of an attractive, vivacious woman playing such a responsible role in formulating U.S. policy toward Japan. The Occupation staff, assembled in some haste from slender available resources, included quite a few persons in highly responsible positions who were no older, or more experienced, than Eleanor Hadley was at age thirty-one.

VINDICATION

Perhaps the best perspective on Eleanor's experience is provided by General Courtney Whitney's letter, written to Senator Henry Jackson when the latter was mounting a final—and this time, successful—effort to clear her name. Whitney, under whom Eleanor had served in the Government Section and who enjoyed perhaps the closest confidence of MacArthur of all his generals in GHQ, wrote from retirement at his home in Washington, D.C., on May 20, 1966:

Dear Senator Jackson:

In 1950 when Miss Eleanor M. Hadley wrote to tell me she was having difficulty in rejoining the Government and to ask if I could suggest any basis for her problems out of the year and a half which she served on my staff, I replied not only was there nothing in the files of the Government Section of GHQ-SCAP in any way derogatory to her, but that I was sure by the time she had my letter her difficulty would be cleared up. Now it turns out that in 1966, sixteen years later, she is still trying to clear her name. This is an incredible situation and one for which a remedy is long overdue. Given the subtlety of security affairs it is understandable that from time to time mistakes may be made. What is dismaying in Miss Hadley's case is that seemingly there has been no way to correct the error. Allow me, Senator Jackson, to commend your present efforts.

To me it is the height of absurdity that a person of Miss Hadley's integrity, loyalty, and devotion to her country could be under a cloud. However, being intimately familiar with the vicious attacks launched against General MacArthur in connection with the dissolution of the *zaibatsu* and the economic purge, in both of which programs Miss Hadley participated, it occurs to me that such attacks may be at the root of her difficulties. A great public figure is not damaged by slander; an unknown staff-person may be.

Persons passing on security matters must at all times be able to distinguish between legitimate differences of view with U.S. policy and criticism which stops at nothing in the attempt to get policy reversed. There were bitter, bitter critics of the program for breaking up Japan's combines and reshuffling its executive personnel. These critics maintained unrelenting pressure upon the ensuing directives when they went to Japan and attacked unmercifully those there charged with their implementation. Miss Hadley, upon assignment to SCAP, found herself in the midst of these attacks. However, with her deep commitment to competitive, free enterprise and her understanding of Japan's private collectivism, she was able to be extremely helpful in the staff work of implementation. In fact, when I learned after some five months on my staff that she was planning to return to Harvard to take up a pending fellowship from the American Association of University Women, I wrote to ask if it could not be held over for a year. I am pleased to say that my request was granted.

> Both by disposition and by training Miss Hadley's interests lie in the field of public policy. At a time when President Johnson is stressing the importance of bringing qualified women into public life, I hope, Senator Jackson, you will be able to carry through determination of this matter. It is regrettable that lack of administrative determination or courage to make a decision about Miss Hadley's loyalty, security, and suitability, requires intervention of a United States Senator, but no less effort has been successful in the past and I doubt whether it would be in the future. I look forward to the success of your efforts so that Miss Hadley will once again be able to bring to the Government the contribution she is in a position to make.
>
> I recall so vividly and pleasantly the times that our paths have crossed and hope that they will again in the not distant future.
>
> Cordially yours,
> Courtney Whitney, Major General, U.S. Army

In 1967 Eleanor Hadley was vindicated, obtained a security clearance, and subsequently returned to Washington. Even during the seventeen years before that, she was far from defeated by the obstacles placed in her way: she pursued a distinguished career working for nonprofit organizations and congressional committees, and teaching economics at Smith College as a member of its faculty. In each of these positions, she found immense professional enjoyment and made contributions commensurate with her considerable gifts.

ANTITRUST TODAY

Policymakers today in most countries face many of the same issues of economic concentration and deconcentration that confronted SCAP and Eleanor Hadley during the Allied Occupation of Japan. Indeed, these issues are achieving a renewed salience and concern in international and comparative perspective, symbolized by the recent Microsoft monopoly and General Electric–Honeywell merger cases. While the terminology has changed—from the American historical term "antitrust" to "competition policy"—the essence of the concept remains the same.

The current debate goes substantially beyond these specific cases, involving many international private and government policy fora, including, for example, APEC (the governmental Asia-Pacific Economic Coop-

eration forum). Competition policy has become an increasingly important international, rather than primarily domestic, issue because of the persistent long-term trend to reduce national barriers in trade, finance, and foreign direct investment and other modes of international economic exchange, often lumped under the cliché "globalization." Policymakers in all countries ask: what should be the objectives of competition policy; what laws are needed; what sort of implementing institutions (fair-trade commissions, competition commissions, courts and the legal system) are most effective and efficient; how can standards, rules, procedure, and implementation be made more congruent across nations? Full harmonization is only a distant goal given the major disparities among nations in approaches to competition policy. The primary focus is on market power (epitomized by monopoly) in a particular industry, and how best to curb it in order to create a competitive, efficient economy.

Postwar Japan has addressed these issues with its Anti-Monopoly Law and the Japan Fair Trade Commission, founded on the Occupation-period efforts of Eleanor Hadley and her Occupation colleagues. Nonetheless, today a number of developing countries do not yet have competition (antitrust) laws or implementing mechanisms to create a more competitive business environment; and competition policy and its implementation remain weak in most developing countries. These realities, as well as the lack of harmonization of policies among the United States, the European Community, and Japan, are driving the new international emphasis upon competition policy. However, the debate today has only begun to extend to a second major competition policy arena, namely combines, which was the thrust of Allied Occupation deconcentration policies with which Eleanor Hadley is most closely identified.

A combine is a group of large, related companies in various sectors under common controlling ownership, typically a single individual or family, pursuing a unified business strategy. The combine's organizational structure may utilize a peak holding company, but that is not necessary so long as control over the member companies is held by a single individual or family. Today the term "combine" has been replaced by "big business group," or sometimes by "conglomerate."

Japanese *zaibatsu*, notably the Big Four of Mitsui, Mitsubishi, Sumitomo, and Yasuda, epitomized the combine form of business organization prior to World War II. It was their size and their combined economic power in a range of industries, rather than monopoly power in any single industry, that was the key. In *Antitrust in Japan,* Eleanor Hadley described this as a system not of monopoly but of cordial oli-

gopoly: a *zaibatsu* strong in industry A but weak in industry B relative to another *zaibatsu* would refrain from lowering prices or taking other competitive actions in industry A, because it realized it would be subject to retaliatory counterattack in industry B. Even more important than market economic power was political power. The *zaibatsu* had a long, complex history of a wide range of interactions with the government in both peace and war. Accordingly, the combine, or *zaibatsu*, form of industrial organization has been a subject of greater interest and importance to political economists than to industrial organization specialists and other economists.

Today a dominant form of industrial organization in almost all developing economies is family-controlled big-business groups of related firms, encompassing to one degree or another industry, finance, commerce, and national resources. While not called *zaibatsu*, in reality such big-business groups today are fundamentally identical to them. Postwar Germany and Japan were the first cases of a government-imposed policy to break up and thereby end the powerful role of business groups, but that was a consequence of a foreign (Allied Occupation) imposed *zaibatsu* dissolution, which eliminated holding company structures and family ownership and control, and initially distributed widely the shares of the constituent companies. As mandated by the Basic Directive, *zaibatsu* dissolution was pursued by Eleanor Hadley and other Occupation policymakers to create both a more competitive economy and a more democratic society in which economic power was less unequally distributed.

In many developing countries, what in retrospect are now widely viewed as excessive concentrations of economic and political power were tolerated, at least by government policymakers, when their economies were growing rapidly. This certainly was the case in East and Southeast Asia where, prior to 1997, three decades of rapid growth was associated with the emergence and increasing role of family-controlled big-business groups. The general pattern of combined economic and political power was similar in all the countries, but the specific characteristics of the business groups depended on policies and arrangements in each country. Business groups in Korea *(chaebol),* Malaysia, Thailand, and Indonesia have their specific differences as well as fundamental similarities.

The Asia financial crisis of 1997–1998 brought to the fore policy issues about the power and behavior of big-business groups; the East Asian model went from being characterized as relationship capitalism to crony capitalism. In all countries reformers are attempting to reduce the power of family-owned business groups, but those families and their

allies, often still within government, are resisting strongly. The Japanese Allied Occupation theme of reform versus recovery is being played out in all these countries. Policymakers still have not yet been able to implement policies of reform *and* recovery, to see them as complementary in efforts to achieve competitive, efficient economies and democratic societies for the long run. Current policy analysis extends the focus on the protection of minority outside shareholders of individual companies listed on stock exchanges to their protection when the company is part of a group of related companies some of which are not listed. Of course the focus on the power of individual firms in their specific industries persists. Nonetheless, as with the Japanese *zaibatsu*, by far the most important policy issues involve the political role of business groups in their interactions with the government.

An issue of immediate and stark relevance today places an entirely different meaning on the term "antitrust." Whom do we trust—to make policy decisions, to engage in business transactions with, as human beings? Eleanor Hadley's blacklisting was the result of those who tried, for their own perfidious reasons, to label her as untrustworthy, a potential security threat. She was simply one case of the innocent being caught up in that period's hysteria over the external threat of communism. Today the United States must confront the external threat of terrorism. As Americans we must secure our country and ourselves. Yet in doing so we run the risk of excess, of targeting and tarnishing the innocent as well as the guilty. Eleanor's tale reminds us we should exercise caution and clear judgment, rather than make blanket accusations and innuendos, and be clearly aware of the motives of those who accuse others.

ACCOLADES

In essence, Eleanor Hadley has had three linked careers: as policymaker in the Allied Occupation of Japan; as academic specialist on the Japanese economy; and as senior policy analyst and team leader on the postwar Japanese economy in Washington. When Japan came back onto the U.S. policy radar screens in the 1970s and 1980s, tracing its remarkable expansion to become the second-largest economy in the world and principal counterparty to a growing U.S. trade deficit, Eleanor was back in action applying her unique knowledge and perspective regarding Japan. She did this first at the Tariff Commission and later at the GAO (General Accounting Office), the investigative arm of the Congress.

In Japan, as an official at SCAP, Eleanor was involved in the crea-

tion of antitrust law and the establishment of the Japanese Fair Trade Commission. She became famous there as the "trust-busting beauty," as one Japanese newspaper article a few years ago described her. These activities were controversial at the time among some Japanese government and business leaders who wished to deflect the Occupation reforms, but they were popular among many Japanese. And in due course the Government of Japan awarded Eleanor the "Order of the Sacred Treasure," third degree, in 1986. This high honor was bestowed in Seattle, at a ceremony in the home of the consul general, with Kenneth Pyle of the University of Washington serving as her official biographer.

It is fitting to close this introduction by reproducing the tribute to Eleanor Hadley that was presented by the Association for Asian Studies in 1997 when it gave her its Award for Distinguished Contributions to Asian Studies:

> As an accomplished senior economist of Japan, you have contributed to the field of economics and to change in the real economy. For sixty years you have dedicated your acuity, energy, and skill to Japan, to scholarship, and to public service. You are a pioneer and, in the appreciation so often spoken of you, a great lady.
>
> Since you attended the third Japan–America Student Conference as a Mills College student in 1936, you have maintained a professional interest in Japan's economy, returning to Japan in 1938–40. After completing your Ph.D. examinations at Harvard (then Radcliffe) in 1943, you went to Washington to work for the OSS. Borrowed by the State Department because of your rare expertise on the Japanese economy, you prepared the initial presurrender plan for the dissolution of the *zaibatsu*. After waiting for the first postwar ship to carry women to Japan, you accepted General Whitney's invitation to join the Government Section of the Occupation in 1946. Your proposals, which took a middle way between the all-or-nothing positions of others, had greater eventual effect. Once known in Japan as the "trust-busting beauty," you bear witness this year to the fiftieth anniversary of Japan's Fair Trade Commission, part of the institutional landscape you helped to reconfigure.
>
> After completing your doctorate, later published as the important book "Anti-Trust in Japan," you persevered through seventeen years of being blacklisted from government service because of General Willoughby's suspicions of you as a "liberal": teaching at Smith College, working in social service organizations in Washington and finally, from 1967, at the U.S. Tariff Commission and the General Accounting Office. You wrote, taught, served on AAS committees, and, for almost thirty years, faithfully attended the East Coast Japan Economic Seminar, even

after you had returned to Seattle to write and teach. In 1986 you received the Order of the Sacred Treasure from the Japanese government in recognition of your long and distinguished service.

As a woman in a profession where women are rare, as a Japan specialist in a discipline that disdained country-and-culture analysis, as a dedicated economist subjected to unfair political discrimination, you surmounted every obstacle—firmly, intelligently, and with consummate grace.

On behalf of the Association for Asian Studies, with this award we thank you and salute you.

Signed by: AAS President Carol Gluck
and AAS Secretary-Treasurer John Campbell
Chicago, March 14, 1997

Finally, Eleanor has always been a stickler for accuracy. The above statement needs to be corrected: Eleanor Hadley's doctoral dissertation, "Concentrated Business Power in Japan" (1949) was on the prewar *zaibatsu*. The book *Antitrust in Japan* (1970) was a separate study of the impact of postwar deconcentration measures in Japan, based on a comparison of 1960s economic structures with those that prevailed before the war.

Chapter One

Prewar Experiences: Japan and Trips to China

I grew up in Seattle the daughter of Margaret (Floyd) and Homer M. Hadley. My mother thought it was important for a daughter to go away to college, as her own mother had believed in her own case. Mother was a graduate of the University of Washington, class of 1911, with a major in physics and math, although botany became her true love. This she pursued on her own, acquiring prodigious book learning and applying it to great effect in the garden that she created around the home above Lake Washington in which my brother and I grew up. Mother found her first outside employment after we children were grown up, as a teacher of preschool children. At age sixty, in 1949, Mother earned a master's degree in early childhood education at the University of Washington. She subsequently became director of the demonstration nursery school run by the Seattle Public Schools.

My father, Homer More Hadley, was an engineer, but an unusual one in that he loved literature and art as much as he loved his earthquake-resistant buildings and bridges. He conceived of the world's first concrete floating bridge, which was built in Seattle in 1940. Dad had thought of the idea in 1921, hoping to build it with private capital. The unique construction would solve the problem of crossing the extremely deep lake that separates Seattle from the East Side suburbs, for which conventional bridge design was not feasible. Bankers had called it "Hadley's folly." In the end, the floating bridge was built in 1940 by the state of Washington, with federal aid, although not without a good deal of controversy even then. It replaced what had been a ferry ride from Seattle to Mercer Island and the East Side, with a five-minute crossing for automobiles. A second, parallel floating bridge, named the "Homer M. Hadley Memorial

Bridge," was built in 1993 to expand capacity, fifty-three years after the original and some seventy years from the time Dad had conceived it.

My brother, Richard Homer Hadley, five years my junior, followed our father into engineering. We were both born in Seattle and were educated in Seattle public schools. Being more of a business entrepreneur than our father, Richard started a firm (among others) called Pacific Building Corporation, which continues today to be active in commercial construction in Seattle and Honolulu. Richard has been joined in turn by his own son, Robert.

Four years of my life at Mills College wonderfully enlarged and enriched my world. I had selected Mills College out of circumstances: some impressive dinner guests who had graduated from that college, and my neighbor Virginia Foisie (later to become Mrs. Dean Rusk, wife of the future secretary of state), who was attending Mills at the time. Another significant element in my decision was the strength of the college's music department. I had intended to be a music major, but instead graduated with a combined major of politics, economics, and philosophy. This major was an Oxford import that had arrived with Dean Rusk, who became a member of the Mills faculty the year before I entered.

On graduating in 1938, I very much wanted to see the world from an additional perspective. I wanted the experience of living abroad, of living in another society. To do so, I needed a scholarship. With my mediocre French and nonexistent German, opportunities on the European continent were minimal. But what of Asia? One of my close college friends, Shirley Smith (Ingram), a young administrator who knew both regions, said she thought the Far East was more interesting. Of the two major countries, China and Japan, China was far more studied than Japan, and I had some connections with Japan.

I was not the first in my family to go to Japan. One of my Honolulu great-aunts had lived in Japan for a year or two shortly after World War I. And my father had been sent to Japan by his then employer, the Portland Cement Association, following the Great Kanto Earthquake of 1923. He was there for a couple of months, on a mission to study the reactions of different types of structures to earthquakes. I was seven years old at the time, and I remember hearing some of his accounts of his experience. I certainly do not remember, though, that anyone in my family explicitly encouraged me in the direction of going to Japan or Asia. My parents, while they must have had misgivings about my unlikely endeavor, made no effort to oppose it. I believe they must have been reconciled to the idea, seeing my overflowing enthusiasm.

THE JAPAN–AMERICA STUDENT CONFERENCES

Like most American colleges of that time, Mills offered no courses on Asia apart from Chinese art. In those years only a handful of U.S. institutions —Harvard, Yale, Columbia, University of Chicago, Berkeley, University of Washington, and University of Hawaii—did so, and they very limitedly. This desire of mine to see the world through the eyes of another society was undoubtedly stimulated by my having been involved in the America–Japan Student Conferences of 1935–1937.

I attended part of the second conference in 1935, held at Reed College in Portland, Oregon. Virginia Foisie (Rusk), who was in charge of hospitality in Seattle, the arrival city for the Japanese who came to the second conference, asked me if I could help out with chauffeuring. I had so much fun doing so that I decided to go down to Reed for the conference week. I became more involved the following year, becoming the Mills College delegate to the Third America–Japan Student Conference, held in 1936 in Tokyo, with subsequent travel around Japan.

To be sure, my father objected at first that the boat fare, the part of the expense that would not be taken care of by my Japanese colleagues, was more than our family could afford. But I offered him a calculation of the amount that I had saved him in hairdresser's fees by inheriting his hair, which was curly, rather than my mother's ramrod-straight hair, and by wearing it long. Needless to say, my calculation added up to almost exactly what was needed for the boat fare to Japan. He relented, and I attended the third conference in Japan. After that, in 1937, I became chairman of the conference week at Stanford University of the Fourth America–Japan Student Conference, with Richard Watt of the University of Washington chairing the conference as a whole.

The student conference had been conceived by four Japanese students who were members of the interuniversity English-Speaking Society in Tokyo. Koi Nakayama, Toru Matsumoto, Toshio Tabata, and Namiji Itabashi thought this up as a means of improving Japan's image in the world.[1] This was a response to the sharp fall in Japan's standing after its 1931 conquest of Manchuria. The world heaped criticism on Japan for the invasion, and the League of Nations' Lytton Commission sharply criticized Japan, prompting its withdrawal from the league in 1933.[2]

The four students went to the United States in 1933 to invite any university student who would care to attend to a 1934 student conference in Japan. Believing that frank discussion of Japan's situation would improve their country's position in the world, the four visited West Coast

and Eastern colleges and universities to see who might come. They told invitees it would be a week of student exchanges, and that it would include factory visits and home stays as well as travel around the country. In all, seventy-odd students accepted the invitation. Their only expense was to be boat fare; the Japanese students would raise money to cover the expenses in Japan. The American students had such a splendid experience in Japan that summer of 1934 that they offered to reciprocate the Japanese hospitality. And so was born the America–Japan Student Conference. (Up to the time of World War II, the name was the America–Japan Student Conference; afterward, it became the Japan–America Student Conference.)

Tillman Durdin of the *New York Times* wrote of one of these conferences (I am not sure whether it was the third or the fourth) along the following lines:

> It was not a conference of experienced diplomats or of seasoned and trained round-table conference devotees, but rather a conference of enthusiastic and stimulating youths from the two great countries bordering the Pacific. Youths are still in their formative period, not yet set in convictions. Here at home we may have the feeling that we know exactly what Japan should have done and how wrong the Manchurian affair was, but through such a conference, we realize that factors are infinitely more complex than we had supposed. It gives a new outlook toward all foreign countries.[3]

Although there was a gap occasioned by the war years, the annual student conferences are still occurring today. The 2001 conference was held in Japan. Both sides now have a small executive staff, essential for keeping a permanent address and collection of records.[4]

JAPAN

The third conference, in 1936, which was my first direct experience of Japan, took place only four months after the "2/26 incident," which meant that we were in Japan at a time of palpably heightened political tension. The February 26 incident was occasioned by young officers carrying out assassinations of senior officers who, they believed, lacked appreciation of Japan's divine mission to expand on the Asian continent. As Hugh Byas, an Australian journalist, put it in *Government by Assassi-*

nation, "the story of a disciplined army driven forward by its young officers is a strange one."[5]

In the February 1936 uprising, junior officers assassinated Korekiyo Takahashi, Minister of Finance; Admiral Saito, Lord Keeper of the Privy Seal; and General Watanabe, Inspector General of Military Education. They were unsuccessful in their attempts on Prime Minister Okada and Prince Saionji. This uprising followed earlier ones in 1932, when Prime Minister Inukai and Baron Dan, senior managing director of the Mitsui holding company, were liquidated. Following the "2/26 incident," as Japan chose to call the 1936 event, martial law had been imposed and a general climate of fear prevailed.

Notwithstanding the intimidating atmosphere, some Japanese delegates to the conference were courageous enough to express themselves in personal meetings with the American delegates. I think in particular of Hiro Matsubara, who expressed criticism of the junior officers with a candor that was astonishing at the time. Matsubara subsequently went into journalism after his graduation from university, but his career was cut short, as he died prematurely of tuberculosis.

To give a flavor of student candor from the Western side, I quote from a paper that Ernest Kroll, the delegate from Columbia University, prepared for that Third Conference:

> I belong to a college generation that is passionately opposed to war. The attitude of American students toward war is an important recent development in our culture. . . . It is up to the students of the world to assert themselves against the doom that threatens them. We students are members of a sacred brotherhood with a morality of our own. Ours is a priesthood task to do upon the earth, we are secular brothers joined in the reverence of an incontrovertible ideal.[6]

(In World War II, Ernest Kroll was a lieutenant commander in Japanese language work in Washington, D.C.)

The Japan students' conference, which lasted a week, was followed by four weeks of travel through Honshu and Kyushu (two of the four main islands of Japan) including home stays with Japanese families. I stayed on an extra ten days on my own, a guest in the home of Hisako Fujiwara (Ikeuchi), whom I had met at the second conference the previous year. Hisako was to become my closest lifelong Japanese friend and would play an important part in my later acquaintance with Japan.

The Fujiwara home was hardly a typical middle-class Japanese house-

hold. Hisako's father and mother had both been educated in part in the United States. They were Christians (which then, even more than it would now, set them apart as unusual and independent-minded among Japanese) and devoted to the idea of cross-cultural understanding and cooperation. Hisako's father was an independent businessman, having built an automobile dealership bringing foreign vehicles to Japan. He was active in politics and published articles and books arguing that Japan and America could and should bridge their differences and avoid war.[7] Hisako's father spoke excellent English, as did she. (Hisako's mother was deceased, having died when Hisako was nine years old, and her siblings were all grown and out of the family home by the time of my visit.) Coming from this background, it was natural that Hisako had formed the ambition to attend the student conferences and hoped to pursue her education in the United States.

Their home was palatial by Japanese standards of the time. It was Western in style, with chairs and tables and a kitchen laid out on Western lines. I may even have slept in a bed rather than on a futon (my memory is dim on details). But to my eyes it seemed distinctly different from what I was used to.

During the group's four-week trip through western Japan, we stayed in Japanese-style inns in some places and Western-style hotel accommodations in others. The inns were uniformly beautiful. We loved being allowed to change into Japanese *yukata* and geta (informal kimono and wooden clogs) to wander around the streets of Miyajima and other scenic spots to which we were treated. Western-style accommodations were not always so perfect: one of my most vivid memories of that trip was having the bow on the front of one of my favorite dress jackets eaten by a rat in a Kyoto hotel. Needless to say, the entire trip was an eye-opening experience. It left me with a strong desire to know more of Asian culture.

LIFE AS A STUDENT IN TOKYO

I had met Hisako Fujiwara (Ikeuchi) during the second and third conferences, as already mentioned, and later was able to help procure a Mills College scholarship for her. To satisfy her Japanese sense of obligation, she made the effort to locate a scholarship for me to study in Japan. It was from the Kokusai Gakuyakuai (International Student Association), to which I then applied and which granted me the scholarship. The source

of the scholarship was the Cultural Bureau of the Foreign Ministry, and it clearly was part of the Japanese government's effort to improve its image abroad. This came in the wake of the international uproar over Japan's invasion of Manchuria in 1931 and its later invasion of North China in July 1937. It seems never to have occurred to me (nor to the Japanese government) that women were not eligible for admission to Japanese universities at that time.

For years I had conflicting information about exactly how this opportunity came my way: I believed at the time that it was owing to the intervention of Professor Kojiro Sugimori of Waseda University, whom I had met when he was the Japanese faculty advisor to the early U.S.–Japan student conferences. But in one of the late conversations that I had with Hisako Ikeuchi, in Tokyo in the 1990s, she told me she had found this scholarship for me entirely on her own.

Ikeuchi-san also did not believe that it was a Foreign Ministry scholarship, but I have since been able to confirm that, at the time I held it, it was. Thanks to Mikio Kato, Executive Director of International House in Tokyo, a sixty-year mystery has finally been cleared up for me: it was the Foreign Ministry that conceived the International Student Association (Kokusai Gakuyakuai) in 1935 and that operated it for five years. In 1940, the association was made a juridical foundation, giving it ostensible independence under the Greater East Asia Ministry. Postwar, it has been under the Education Ministry. Its official pedigree explains how it was so easy for me to travel abroad in China and elsewhere when I had such difficulty living within my budget in Japan. Though my memory of the details is faulty, I am pretty sure that both my travel fares and my lodging costs were in many cases significantly subsidized by virtue of my status as a student on a Japanese government scholarship.

In any event, there is no question that I was indebted to Ikeuchi-san for this and many other kindnesses in the course of our long friendship. We kept up with each other through all the intervening years, and she even made a trip to Seattle, accompanied by her granddaughter, to pay her respects to my mother when my mother was in her nineties.

I was one of the first Western students to come to Japan on this scholarship. With virtually no offerings of Japanese language in the United States or elsewhere, it was not assumed that applicants would arrive with language competency, great or small. The duration of the scholarship was not specified. Nor was it specified at what academic institutions I might take courses. The scholarship carried a stipend of 150 yen per month (the exchange rate at the time was four yen to the dollar). This

was certainly not ungenerous as a student stipend, considering that the average urban worker family at the time lived on about 3 yen per day. The typical monthly wage of a Japanese city worker in industry at the time was about 70 yen (if male; about half of that if female).

It was all excitement and thrills that summer as I read Lafcadio Hearn about Japan and prepared for departure in the fall of 1938. Although Pan American Airways had begun service across the Pacific while I was in college, flying was far more expensive than to go by ship. So, of course, I went by ship. As I had two great-aunts and a cousin in Honolulu, I decided to go to Japan by way of the islands.

Everything stayed exciting until the ship was pulling out of Honolulu harbor, when I realized for the first time the magnitude of the new experience that lay before me. I was on my way to a foreign country where I knew not one word of the language, and where I would be entirely on my own—except that I would have Japanese student friends and one Japanese faculty friend from the student conferences. Letters to and from the United States took two weeks or more for one-way crossing of the Pacific. Telephone service was virtually nonexistent, the connection being so poor it was barely understandable, and exceedingly expensive.

Furthermore, although the Japanese government was sponsoring my journey to Japan, Japan was not prepared for foreign students coming to study. There were few of them. My guess would be that in the fall of 1938 there were probably not more, in total, than a handful of Western students and perhaps two handfuls of foreign Asian students. The latter, as I remember, were mostly from countries such as the Netherlands East Indies (now Indonesia) and the Philippines. They had come to study technical subjects, the idea being that Japan's technologies were more applicable to their level of development than were the capital-intensive methods used in the United States. (I am not including here the students from Japanese colonies—mainly Taiwan and Korea—with whom I would have had no contact, as they had no need for Japanese language training.)

Upon my arrival, Professor Sugimori—the Waseda professor whom I had first met when he was an adviser to the America–Japan student conferences—took me under his wing. His kindness and my gratitude were the beginning of what became a lifelong friendship. Indeed, Professor Sugimori's great-grandson and his wife were my houseguests in Seattle in 1996.

It was Professor Sugimori who advised that I take a room in the Bunka Apato (Cultural Apartments), and that is what I did. This was at Ochanomizu, near Tokyo Imperial University (or "Teidai," as it was

then called; today it is Tokyo University, or "Todai"). Despite his affiliation with Waseda University, he recommended the Bunka Apato near Teidai because it was earthquake-safe. It had been built by the city of Tokyo as a demonstration of earthquake-resistant construction. My room was at the front of the building. From it, I looked out over pavement to the "*shosen*" (underground, above ground) train tracks below, which circled the outer moat of the palace. The water in the moat was dirty. There was no green in that view.

Taking public transportation, I was impressed by how friendship affected behavior. If two women boarded and there was only one seat remaining, whoever could slide into it first took it. If, on the other hand, they knew one another, they would bow to each other virtually the whole way to town. It was also astonishing for me to discover there was a labor-standards dimension to the institution of the sabbath. Japanese Buddhism does not have a sabbath. Before the war there were lots of holidays but not as many as sabbaths—had such existed.

It was a new experience for me to live in a society where there was history. The West Coast of the United States, the only part of the United States that I knew, is so young that 150 years covers its written record. I was intrigued to learn what had preceded the Japan I was experiencing. Sir George Sansom's *Japan, A Short Cultural History* had recently been published, and I found it fascinating.

When I arrived in September 1938, Japan had already been involved in war on the continent for over a year; this was referred to as the "China Incident." Japan's modest standard of living only deteriorated throughout my year-and-a-half stay. Heat inadequate to start with became progressively more meager. Buses that had run on gasoline were converted to charcoal burners and were constantly breaking down.

I found living in prewar Japan difficult. I was cold a good deal of the time. My resources were such that I could spend only on essentials. The intellectual climate was dispiriting. One was supposed to believe the country's myths, and for an outsider this collided with reason. One needed to have imbibed the myths at a young age to make them "go down" satisfactorily.

Before the Pacific War, a good many outsiders thought of Japan in terms of cherry blossoms, and of cherry blossoms in terms of their beauty. But for militarists, cherry blossoms had a different symbolism: cherry blossoms wither not upon the bough, but drop in their prime. Many, many prewar militaristic societies in Japan had "cherry blossom" as part of their names.

Japan was already a militaristic society in the 1930s and at the beginning of the 1940s. In the government, the men responsible for military policy had to be on active military service; and only the military had direct access to the emperor. Soldiers were a frequent sight—notable for their rumpled uniforms and their inability to march—as were groups of housewives with diagonal bands across their white aprons cheering soldiers on to battle. Street scenes were a jumble of occasional cars driven by chauffeurs (a driver's license being a thing extremely difficult to obtain), ceaselessly blowing their "city" horns (softer than a regular car horn), quantities of bicycles, pedestrians, and an occasional ox-cart. Outside the heart of the city sidewalks did not exist.

Japan had an ingenious method of censorship in that period. In printed words that involved difficult *kanji* (Chinese characters), it was common to write out the pronunciation in *hiragana* (Japanese phonetic letters) to aid readers, who might know the word but not the character. Nowadays, these *furigana* ("attached" letters) are used mainly in material directed at children, or to clarify names, and only occasionally for words considered out of the ordinary. But they were essential in prewar days, when the number of *kanji* in standard use could range (depending on the subject and literary pretensions of the writer) into many thousands, and when high school (and certainly university) education was not as universal as it became in postwar Japan. But when the authorities did not wish the Japanese public to know something, they would simply not add the explanatory *furigana*. Accordingly, they reduced the number of readers to a select, highly educated few.

Thought police were vigilant. I remember one incident as representative: Hanako Iwanaga (later Watanabe), was the daughter of one of Japan's most prominent citizens, Yukichi Iwanaga. In 1938 her father had just become head of the recently combined news services. I had come to know Hanako Iwanaga through the student conference two years earlier. She came to me one day with a copy of Freda Utley's book, *Japan's Feet of Clay.* She said to me: "Take this, for they will not do anything to you as a foreigner. There is no way I can dispose of it without being detected." Freda Utley, English by birth, was a former communist who turned on the system during the 1930s. Her Russian husband was exiled to Siberia in 1936. She became an American citizen in 1950 and later testified in the McCarthy hearings.[8] How the copy of her well-known book had gotten into Japan in the first place was something of a mystery to me, for customs officers were conscientious in ferreting out "subversive" materials that foreigners or citizens attempted to bring into the country.

Police boxes *(koban)* were stationed every few blocks, and the offi-

cers inhabiting them made it their business to learn all they could about everyone living under their jurisdiction. I had the sense there was nothing about me that was not known to the officer whose box was opposite my apartment house. He knew with whom I associated in or out of the apartment, what I did with my time, and so forth. He used to come over and spend a few late evening hours chatting with the doorman.

On the language front, I made a penny-wise pound-foolish decision. Because at that time there was little foreign interest in the Japanese language apart from missionaries and army, navy, and foreign-service language officers, there was one strong language school in Tokyo, Naoe Naganuma's. (There were other schools, but they did not come near it in terms of reputation.) He taught not only officers from our embassy but those from the other foreign missions as well. One could not buy his texts separately from taking his instruction. His fee was 150 yen per month, exactly the size of my stipend.

In the circumstances I ended up taking the free language instruction that came with my fellowship. It used textbooks prepared for Japanese children entering school. Thus I learned much about Amaterasu Omikami, the sun goddess, mythical founder of the Japanese people, and about other heavenly figures, as well as about the exploits of a grandson visiting his grandma who had lost her needle in a crack on the verandah, and how the grandson had a magnet and picked up grandma's needle. As I recall, I was the only Westerner in the small group I attended. The others were all from Southeast Asia.

Learning the language was one disappointment after another. I had assumed that when I reached the point of being able to ask a question I would be able to understand the reply, but that was an unwarranted assumption. In the first place the reply was likely to be in polite form and I knew only basic Japanese. If I asked a woman, that further complicated the matter, for she would reply in feminine language, more polite than masculine. As I recall, the "school" where I studied was a small one-story building, not far from Shinjuku station. In that era, Shinjuku—today full of skyscrapers, with the modern city hall located there as well—was a sleepy little center where I was likely to buy noodles for lunch before returning to my apartment house. I think the absolutely lowest moment of my whole life occurred one day after three hours of class, when I was walking to Shinjuku on a narrow street, fenced on both sides. There in the street, a man was talking to his dog and the dog understood. Devastated, I said to myself, "Even a dog can understand this language, and I can't!"

Count Aisuke Kabayama stood out as an internationalist figure in

Tokyo during this period. A graduate of Amherst College, class of 1889, he was to become a key figure in the establishment of International House when it was formed in the early 1950s. International House is an oasis in the middle of Tokyo, a former Iwasaki (Mitsubishi) property with exquisite landscaping, the house having been burned down in the U.S. bombing. The property came into government hands as a result of the capital levy program (one of the actions taken by the Occupation authorities in 1946) and was sold to the newly formed International House association in the 1950s at what must have been an advantageous price even for the time. International House has long served (and still does) as home ground for countless foreign scholars and Japanese intellectuals interested in fostering a better understanding across international divides.[9]

In January 1939, Count Kabayama gave a dinner for foreign students. It chanced that a young American named Tom Blakemore, just off the ship, and I were seated next to one another. I asked him what he expected to be doing. He said, "Study law." To myself I said, "Just you wait!" But the laugh was on me, for Tom Blakemore mastered Japanese sufficiently to begin his study of law at Tokyo Imperial University and subsequently became the first foreigner to be admitted to full courtroom status in Japan. He did his language work with Mr. Naganuma. Blakemore also served in the Occupation. Like me, he was in the Government Section, although his work was mainly on revising the criminal code, unrelated to mine.[10]

Although by Japanese standards 150 yen per month was a generous stipend, I could not keep my expenses below that amount. This left me with an uncomfortable feeling. What if an emergency were to arise? Professor Sugimori had connections with the Jiyu Gakuen School, an elementary-through-postsecondary school whose large, Frank Lloyd Wright–designed campus was located in the suburbs of Tokyo. Jiyu Gakuen was known as Japan's only progressive education school. Its name, literally translated, means "School of Freedom." Professor Sugimori said that if I wanted to teach English he could arrange an appointment. I decided on this course, and thenceforth on Fridays I taught at the school. I don't remember what I was paid, but it was a significant increase relative to the 150 yen I was receiving from the scholarship.

The school day began with assembly, run by Mrs. Hani, who was the founder and head of the school. I remember one morning when the assembly discussion was about how many layers of clothing the children were wearing. One little girl with eleven layers "won" the contest. Mrs. Hani believed in a hot noon meal, which the children cooked

themselves. My misfortune was that on Fridays the youngest of the cooks prepared the food. I remember that one particular day the children had prepared squid. Squid, if not properly prepared, can be very tough. I put a piece in my mouth, but no matter how I chewed nothing happened. "How do I get it out of my mouth?" became the urgent question. I finally was obliged just to take it out of my mouth, and I then focused on the heaping rice, which covered half my plate.

I quote from a letter I wrote on November 3, 1938, to a Mills classmate, Virginia Peterson (DuMont), then a graduate student at Bryn Mawr College in Pennsylvania, about the Jiyu Gakuen:

> Last Friday we celebrated the fall of Hankow for two and a half hours in the morning, so no classes. And in the afternoon we entertained guests of Mrs. Hani (the president). So, no classes. Today is a national holiday, so, of course, no classes. But tomorrow, no classes either on account of general cleaning from the holiday. While letting students do all their own work without servants has advantages, it certainly has serious disadvantages.

One Friday afternoon I was walking to the train station with an English faculty member who was blond and blue-eyed. As usual on spotting foreigners, the children had cried *"Gaijin, gaijin"* (meaning "outsiders" or "foreigners") to friends near and far. My colleague's Japanese was stronger than mine; she told me that the question the children were discussing was whether blue eyes worked the same way as brown.

Although the political climate was uncongenial, there were always the endearing personal kindnesses of those whom I knew from the student conferences during my college years, or had come to know since arriving. I recall that, during that first fall, two conference friends took me to Nikko, a couple of hours' train ride north of Tokyo, to view the foliage. The colors were what they called *shibui*—a Japanese word that can mean "astringent" or "glum," but in an aesthetic context conveys beauty that is simple yet refined. The leaves were mostly deep-wine-colored, rather than the brilliant gold, orange, or reds of American foliage.

On that trip, too, I first saw the appalling poverty of the countryside. Farmers in that era were bitterly complaining to the government about its import of Korean and Formosan rice, which was undercutting their income. The hands of some of the women were grievously swollen with chilblains—and I learned that this was from handling very hot things

when their hands were cold. (The last stage of the process of silk production involved farmers' delivering silkworms to the factory, the silkworms having been killed by being dipped in boiling water.)

I remember also being made aware that day of the wide gap in political perceptions between my Japanese companions and myself. One of my friends began speaking of how sorry she felt for the Chinese. I was expecting to hear criticism of Japan's war on the continent. Instead, I learned that China was a forsaken place, possessing no clear streams or rivers.

I remember, too, a very special New Year's Eve. I had gone with a friend to a Japanese inn in Nikko, built in a forested area. Snow had fallen that evening so everything was silent outside. As the clock approached midnight there was activity: a log was suspended that would be used to strike the bell of midnight. Wood on metal gives a quite different sound from metal on metal. Twelve times the great log was thrust against the bell. Then again all was silence.

CHINA: SHANGHAI AND NANKING

During spring vacation in 1939, I visited Shanghai and Nanking. Nicely enough, I had found that the wife of the U.S. Embassy's assistant commercial attaché was interested in doing the same. Together we embarked by ship from Kobe. In China, I was fascinated to see how different the Chinese people are from the Japanese. Their strong sense of individualism was striking after Japan's emphasis on the group. And Chinese eating habits were amazing. While the food was delicious, even in elegant restaurants it was served with no decorum. And in ordinary restaurants people might spit on the floor what they did not like.

Staying as we did in the International Settlement (the section of Shanghai that at the time was controlled by Great Britain and the United States), we had a strong sense of colonialism. Among the Chinese living in the settlement, there were sharp contrasts of living standards. What was so shocking that it has stayed with me all my life was the fact that "sanitation" trucks cruised the streets each morning picking up the bodies of persons who had expired during the night. The routine was to kick the person. If there was a response, the person was left; otherwise the body was picked up and dumped into the truck, and the team went on to the next person/body. The streets were a mad melee of persons, bicycles, hand-drawn carts, rickshaws, and an occasional car blowing its horn without cease.

My traveling colleague had intended to go to Nanking, but the officers in America's Shanghai consulate thought this was risky and that her husband would not approve. Therefore, they talked her out of it, explaining that Chinese guerrillas not infrequently broke through the narrow railroad strip that the Japanese controlled and left explosives to blow up bridges and tracks. I was unsettled by this but very much wanted to see Nanking. Japanese Foreign Ministry officials told me that it was safe, and so I went alone. On that trip, besides being nervous, I learned that all trains do not necessarily carry food supplies for passengers. This was something that I took for granted from my experience in the United States during the 1930s, but certainly it was not the custom in China.

The train tracks to Nanking largely followed the Yangtze River. In terms of the absence of Chinese and the burned structures all was death and destruction on that trip, except that it was the spring of the year and the weeping willows were yellowing and vegetation was greening. Although it was almost a year and a half since the December 1937 "rape" of Nanking, it turned out that apparently I was the first outside foreigner into the city. I had certainly heard about this infamous event, but it was not any clear political consciousness of its import that had motivated me to go there. It was more the desire to see what I had read about the city as the historic "southern capital" of China.

I can be a bit more detailed about this part of my trip because I wrote an article about it after my return to Tokyo that was published in the *Christian Science Monitor* in the spring of 1939. I cautioned a potential tourist in the following manner:

> If you want to go to Nanking, be sure it is for no better reason than sightseeing. When I made the trip, persons with good reasons to go had been waiting in Shanghai for months. Professing only idle curiosity, I got my military pass immediately. I must have looked harmless.
>
> Already in Shanghai, getting from the International (British and American) Settlement to the train had its complications. At the Garden Bridge my driver stopped and handed me my bag. The fact that two or three Chinese chauffeurs have mysteriously "disappeared" in the Japanese area—apparently they were offering unwelcome competition—makes taxi drivers from the Settlement decidedly unwilling to leave that foreign concession. Having no choice but to walk across the bridge, I made my way to the other side through the jam of honking trucks and chattering Chinese. The next problem was to find a Japanese-driven taxi.
>
> Eventually a car of 1934 vintage appeared, and after I got in we started bumping toward the station. The closer we approached the fewer were the buildings standing. The North Station had been in the path of

Shanghai's most severe fighting when the Japanese took over Shanghai. A WPA [Works Progress Administration]-looking shack now takes its place. In front, some one hundred and fifty refugees, haggard and tired, were waiting to buy tickets. Probably not more than half would be successful. To the left, soldiers with packs, water canteens and bayonets were lining up toward the ticket window. A few Japanese businessmen were elbowing their way against odds considerable even for a Japanese.

Quarter of nine the gates opened, and to my surprise the train was Japanese—a straight-back-seated duplicate of the coaches I had been riding for the past six months. Segregation followed. To separate third-class cars went soldiers and refugees; and to the second class one went the businessmen, three or four Chinese converts to the New Order in East Asia (as the Japanese called their aggression), an American Catholic priest, and myself. Pulling out of the station, I glimpsed a group from the Japanese Women's Defense Society cheering a final "banzai" to the soldiers.

The first hour was through "No Man's Land"—though this was more than one year after the fighting. Except for the fact that the streets had been partially cleared of debris little had changed since the fighting moved on. Certainly no reconstruction. Leaving the city behind, we presently came into farm country. The fields upon fields of winter wheat, already twelve inches high, were cultivated. The puzzling thing was that I could not see anyone who could have done this cultivating. Seemingly, the farms were devoid of human life.

I was interested in watching the Chinese passenger sitting across from me—obviously, an advocate of the "New Order." His attentions to the Japanese sharing our seats were ingratiating. Presently I fell to talking with the Catholic priest, to learn that he had only narrowly escaped death when coming down from Nanking a year and a half ago. The evacuation train had been repeatedly bombed. In answer to my question concerning the meaning of the numerous mounds I saw out the window, decorated with strips of white paper, he replied: "graves." I have seen graveyards before, but never a series of graves two hundred miles long.

Not once but eight times did soldiers, whose one word of English was "pass," come up to me and indicate that they wished to examine my card. Examination it was, involving a studied perusal of each point of information.

Six hours after leaving Shanghai, we arrived at the occupied capital. Carrying my bag off the train (it was hardly the place to expect redcaps) I discovered to my amazement a line for baggage inspection forming at the station exit. But why? "Guns and dangerous thoughts" was the answer I was given.

The Japanese army and its bombers did a thoroughly effective piece of work in crushing Nanking. From Chiang's capital and symbol of a reuniting China, it is now reduced to 300,000 refugees too poor to leave, empty government buildings, and razed homes. It was my first experience of being in an annihilated city.

The great reinforced-concrete government buildings, suggestive for size of some of Washington, D.C.'s structures, had withstood heavy bombardment. A gaping wall, a crushed roof, but nevertheless the buildings remained. Little is left, however, of the shopping district. Most of the stores were brick, and under bombing, brick goes down in one splendid heap. It is possible in this district to walk along block after block where all that remains is a half wall here and a few ground pillars further on. Turning off on a side road you find yourself in acres of complete devastation—everything razed to the ground. Chinese houses of the peasant and middle-class type were never designed for durability. They collapse on the detonation of a bomb.

In the refugee quarters I found a bazaar in session. The air was heavy with the odor of greasy meats, food stalls far outnumbering the others. Sellers were barking for attention; confusion reigned. The beggars in their filthy rags were ghastly. In the United States beggars observe the amenities of life in comparison to their Oriental kin.

Considerably further on, I came upon a road lined with stalls of the collapsible variety. There was not much activity here—a few customers were haggling over prices—and the goods were shoddy. I should never have thought more of the place if my escort had not told me a bit of its history. What I was so nonchalantly walking through was one of China's famous thieves' markets. A year ago this street held the center of interest. Its rich treasures, the booty of Nanking, were combed from homes, shops and public buildings. Paintings, jade, ivory, screens and chests had paid tribute to Japan's flair for collecting. Today the only things left to sell are a few old suits, and furniture which shows the effects of eighteen months of moving. Most of the stalls have cheap, new goods.

Looting did not begin with the siege of Nanking, but rather much before. The Chinese raiders of former days, to dispose of the surplus of their booty, devised a market system. Procedure: Profit—pure, 100%. The Japanese, never slow to copy, adopted the institution, and being the victors have reaped accordingly.

Outside the Chinese section, the city is lifeless save for the rumble of army trucks and the drone of bombers. Wealthy Chinese have not returned, and the foreigners number exactly twenty-three. Of course after ten months of "black-outs" you could hardly expect a great display of spirit. Accounts of "black-outs" do not do them justice. They need to

be experienced to be understood. All outside lights are off while inside ones are dimmed to an eerie half-strength by shrouding them in black. With the addition of a dirge, the setting would befit a demonstration of "Death." The hotel where I stopped—though "hotel" unduly flatters it—had not only its lights still shrouded in black, but also the windows draped. Imagine the gracious atmosphere of a room done in the most approved "black-out" style—especially when you have participated in a few of these army rehearsals before.

The Japanese, who are not at their best when doing things foreign style, go down in defeat against the odds in Nanking. Preferring maids to men-servants, they have dismissed the Chinese help and imported young girls from the agrarian districts of Kyushu in Southern Japan. The girls have never seen or done anything foreign before. Need more be said of the service? The "Asia Hotel"—as it is rechristened, no national divisions being tolerated—is one of Nanking's few unbombed buildings. Japanese army officers reared on *bushido* (way of the warrior), are above such trivialities as peeling plaster, half-varnished furniture, and heat which comes on by special request only—five hours after you have asked.

Nanking's wall, 32 miles around, is a thick rock barrier. It is interesting to learn that it held up the occupation of the city by several hours, for being sheer it is practically impossible to scale. Under bombardment, however, the gates gave way, and the Japanese army made its triumphal entry. Soldiers still guard the entrances, subjecting everyone to pass examination and many to search. A Chinese gown, needless to add, offers many possibilities for a gun.

One cannot leave Nanking without seeing the Sun Yat Sen Memorial. Since it is outside the wall, we, too, had to undergo gate inspection. As we approached the sentries, the chauffeur jerked the car to a stop. Being satisfied with our passes, the guards motioned us on. It was a glorious spring day, and the park leading up to the Memorial was delightful with the cherry and plum in full bloom, though oftentimes this beauty was shared with teahouses. The delicate weeping willows arching the road made a graceful boulevard of green. Presently, turning a sharp corner, we came upon the Memorial. In striking Chinese architecture, its dazzling white walls and gorgeous blue tile roof stood out starkly against the brown of the hills behind—truly a magnificent tribute to the Father of the Republic. The Ming Tombs, only a 20-minute drive away, contrast the spirit of the Dragon Throne 400 years ago. A short distance from the Memorial, the brightly-colored, eight-towered pagoda stands—a symbol of China's Buddhist heritage from India.

Returning to the city, I had luncheon at the American Embassy, which now overlooks a graveyard and a refugee camp. Over a meal

which might have been cooked in Seattle 6,000 miles away, I could not help pondering that less than 100 yards away from this bit of U.S.A., strife and misery were heralding the birth of a "New Order in East Asia."[11]

RETURN TO TOKYO, THEN ON TO KOREA, MANCHURIA, AND PEKING

Back in Tokyo, for the remainder of the spring of 1939 I pursued the Japanese language. And I began an effort to get a handle on Japan's public finances—an unfortunate choice of topic, for even today it is not an easy one to penetrate. I had requested permission to use the library of Tokyo Imperial University. The university did not admit women, so the request was a "difficult" one. Finally, after some months, permission was granted. I thought to myself how medieval the Japanese were. But then, I had not yet been to Cambridge, Massachusetts. Later, when I did my graduate work at Radcliffe, I found that women had been excluded from the reading room of the main library of Harvard as well. So the difference between Tokyo Imperial University and Harvard was not so great!

Tokyo in the spring of 1939 was still a difficult place to live; its material and intellectual hardships had in no way diminished since the previous fall. But it did have its amenities. One was excellent symphony concerts and recitals. I remember in particular the piano concerts of Leo Sirota. Sirota, originally from Kiev, had achieved fame as an accomplished musician in Vienna and then brought his family to Japan, where he was greatly appreciated. As things turned out, his daughter, Beate Sirota (Gordon), and I later had adjoining desks as SCAP staffers and became close friends. She came to play an interesting role in the Occupation, which is documented in her book.[12] Beate later had a long career with the Asia Society in New York, bringing countless artists from Asian countries to perform in the United States.

I spent a good deal of the summer vacation of 1939 on the continent again. Crossing from Shimonoseki at the tip of Honshu, the main island of Japan, I went by boat to Pusan, at the southern tip of Korea, and proceeded by train, wide gauge, to Seoul. I explored Seoul for a few days, including Ewha Women's College, before proceeding north. (During these years I was an avid amateur photographer, and so I have included some snapshots from this trip.)

One of the students from the Jiyu Gakuen, the school where I had been teaching English in Tokyo, had a cousin in Korea, whose father was employed there. The cousin offered a hiking trip through the Diamond Mountains, which form the northern border of the country (now North Korea). That seemed like a wonderful opportunity, so I gratefully accepted. They hired a packer to carry our supplies and we set off to hike from the Inner to the Outer Diamond Mountains.

The Diamond Mountains at that time were full of Buddhist monasteries and there were many Buddhist carvings into the mountainsides. The monks had greater difficulty keeping track of the days than the hours: we were frequently asked what day it was. We encountered a Korean man being carried in a sedan chair through the mountains. At the end of a week's trip I gratefully thanked my Jiyu Gakuen guide and her cousin for the trip and boarded a train for Mukden in Manchuria, which since 1931 had been under Japanese control and was called Manchukuo by them.

Japan had currency controls at this time, and one had to declare the amount of yen and foreign exchange one was taking "out" of the country. I felt that unsigned travelers' checks were none of Japan's business, but I made an arithmetic error on the yen I was declaring and it turned out that I had 50 yen more than I should. The Japanese officials on this train to Mukden discovered my violation just as we had crossed to the Manchurian side of the Yalu River, the river that separates Korea from Manchuria. They were adamant that I disembark there. In the circumstances there was nothing to do but comply. I had to return by the next train to the border town of Korea, Shingishu (also known as Sinuiju), where I could send a money order of the 50 yen excess to myself at my Tokyo address.

Border towns are not much at best but Shingishu was among the least. I disembarked and made my way to the town's post office, where I painfully made out a money order to myself in Tokyo and returned to the station to catch the next train for Mukden. The porter who put my bags on board put them in a seat facing one where a Catholic sister was sitting. She was, most unusually for a sister, traveling alone, and she was bound for Mukden as well.

It turned out that this sister was an American from New York City. I was the first person outside her order with whom she had spoken in her fourteen years in the order. The conversation turned out to be cathartic for her. She told me her whole life story, showing me pictures of her many nieces and nephews. Because her order took a vow of spir-

itual poverty as well as worldly poverty, she would never see her family again.

She told me that, after taking her final vows, she had received her assignment on a small piece of rolled paper. Hers was to Shingishu, Korea. Naturally she had never heard of Shingishu, but she had no idea where Korea was either. She told me of getting out a map of the world, finally locating Korea on the far side of the Pacific, and then studying the country for the town of Shingishu. Finally, she found it was located at the border of Manchuria. Her father had wanted her to work with him in his pharmacy. Instead she had chosen to become a nun.

She was a pharmaceutical sister, and in Shingishu the order operated a health station where Koreans could come for assistance. She said most cases were skin problems, including those of the scalp. She spoke of having, at times, to remove the whole top of the scalp and of the awful stench from the disease, this while garbed in the traditional black, enveloping gown of the sisters. She and her colleagues would return to their quarters, bathe themselves in disinfectant, and disinfect their clothing. The scale of their help was not enough to lessen the problem overall and so it went on and on.

What was so striking to me was the cheerfulness of this sister. Here I had been in Tokyo with all that it had to contribute and I was not happy. Yet she was happy in the god-forsaken town of Shingishu! Conversation would have continued on and on, but as the train pulled into Mukden that ended it. I never saw or heard about her again, but she has remained a vivid person in my memory.

While in Mukden, I went out to see the open-cut colliery just outside the city. It was the first open-cut mine I had ever seen and I was astounded by its size. A famous strike by workers had taken place there a few years earlier,[13] "successfully" crushed by the Japanese.

After a few days in the city, I took the train north to Harbin. What a strange experience to come upon a bit of Europe in the midst of Asia! Harbin had been built by Russia, at the place where the Chinese Eastern Railway line intersected the railroad south to Dairen (with Port Arthur adjoining). As a result of the Russo-Japanese War of 1904 the Russians had lost the Liaoting Peninsula with Port Arthur at its tip and the South Manchurian Railroad from Harbin to Port Arthur.

The father of a Mills College student, Olya Kargoloff from Harbin, took me under his wing for sight-seeing in that city. He took me to the Russian cathedral, where I was amazed to discover one stood during the whole service. The singing was extraordinarily beautiful.

The trip up to Harbin and the trip back south again convinced me that Japan had gained a lot more from its 1931 invasion of Manchuria than I had imagined. The country was much bigger than I had realized and it had resources—farmland, and coal in particular. On the way back from Harbin, I stopped at Hsinking (also known as Changchun), where Japan had created the capital of its new state, which it called "Manchukuo." This is where Japan had installed its emperor, Pu Yi, later made famous by the movie *The Last Emperor.* The city consisted of wide empty streets, large administrative buildings, but few people.

From Hsinking I proceeded south to Peking, as Beijing was then called. Disembarking in Peking, I was met by a Japanese official. That I was met was, I am sure, the consequence of my government scholarship. I am not sure why I was met on this particular occasion—I do not remember its happening in other places during my travel on the continent—but the government undertook thus to make sure of my well-being in Peking. I remember the official asking me if I would be using "sincere time" or Peking time. I was a bit slow on the uptake, but "sincere time" turned out to be Tokyo time—daylight saving time, in effect, as there was an hour's difference from Peking. I did not see any more of him or of Japanese officialdom in Peking.

I was overwhelmed by the imperial legacy of Peking: the Forbidden City, the Temple of Heaven, and the Summer Palace. I stayed at a guesthouse run by an English widow. A young Englishman by the name of Richard Storry was also a guest. As it turned out, both Richard Storry and I developed careers related to Japan.[14]

Peking was hot, but, as everyone told me, there would be one morning in late August when I would wake up and find myself in a dramatic change. This turned out to be the case, and the change was extremely welcome. Before returning to Japan, I wanted to go up to Kalgan in Inner Mongolia. This I did by train, which passed the Great Wall and proceeded on across the end of the Gobi Desert. My father claimed that my only reason for wanting to go to Kalgan was to be able to say one day, in a superior tone of voice over a cup of tea, "Now, when I was in Inner Mongolia. . . ." Kalgan turned out to be a modest village of yurts.

In China I was conscious—notwithstanding the fact that Buddhism had been strong in that country for several centuries—that the Chinese were not sympathetic to animals. One not infrequently saw horses with whip marks over their bodies and even blinded in one eye from having been struck. One rapidly concluded that China could be fertile territory for the Society for the Prevention of Cruelty to Animals.

I sailed for Japan from a port just below Tientsin with the Yellow River in flood. As I had already learned on my trip to Nanking, Chinese do not bury their dead but build mounds over the body. Because of the flood, a number of these burial mounds were slowly floating downstream. As it turned out, I departed for Japan on the very day that World War II broke out in Europe. On shipboard, movies were shown. One was of Marco Polo. Having been frustrated by language for some six weeks, for me it was not a good moment to see Marco Polo entering China conversing freely with one and all.

LAST MONTHS IN JAPAN

When I had first come out to Japan in the fall of 1938, the predominant part of the foreign community was Anglo-American. The composition gradually changed in favor of Germans. Japan had, of course, signed the Anticomintern Pact with Germany in 1936 and later would sign the Tripartite Pact with Germany and Italy in September 1940. I recall one occasion when I had gone hiking with a young German who turned out to be of the Nazi persuasion. I was appalled by his thinking. How different to argue against Nazism in a classroom, as compared to arguing with a true believer. All my instincts were toward peace. He insisted that it was on the field of battle that a human being could truly realize himself.

To most of the Anglo-Americans with whom I had some contact in that period, it was a marvel that I wanted to study Japanese. They simply could not comprehend how a Westerner would have such an interest. Tea in the lobby of the old Imperial Hotel was a fair portrait of the Anglo-American community at that time. The Japanese military threat was dismissed with the observation that the Japanese's eyesight was too poor for bombing. For a period of some months the tale of the Japanese spying on English warship plans made the rounds. According to the tale, the British suspected the activity and so deliberately modified their plans, with the result that, when the Japanese ship was launched, it toppled over. In that period we felt most confident of our superiority.

In the summer of 1939 the Japanese had begun their campaign against the British in the north of China. In Peking, I had seen banners saying "Exclude the British" and the like. Having gained momentum with the campaign on the continent, they now brought it to Japan. The only time I felt concern for my safety in that 1938–1940 period was on the occasion of a crowd forming in front of the British Embassy where I

had gone to hear Sir George Sansom speak to the Asiatic Society of Japan. There was a crowd of perhaps fifty men of various ages, dressed in workers' clothes, all shouting slogans like "Down with the British." Naturally the shouters could not distinguish me from a Britisher. The taxi let me out on the far side of the street and, accordingly, I had to make my way through the crowd. I was relieved to reach the gate and get inside.

That same fall of 1939 I took a second teaching job of one day a week, this time at Tsuda College. It is interesting what academic excellence can do. Although Tsuda was considered a conservative institution, I had the feeling of greater intellectual freedom there than at the Jiyu Gakuen, notwithstanding the meaning of the latter's name (as already noted, "School of Freedom").

But even at Tsuda, freewheeling discussions were not welcomed by the administration. One that I remember resulted in a dramatic encounter with Miss Hoshino, Tsuda's president. In the conversation class the students and I had happened onto the subject of the Shinto religion. I asked the students whether I, a non-Japanese, might study it with profit. The topic produced a very lively hour. Flushed with the fun of the class, afterward in the teachers' room I told Miss Hoshino that we had been discussing Shinto and what a lively class it had been. Miss Hoshino was absolutely horrified. She belonged to a family that was high up in the political elite then running Japan and no doubt considered herself responsible for enforcing "correct thinking." Her nephew was head of the Cabinet Planning Board, one of the very top posts in the Japanese government, and thus presumably one of the architects of Japan's "program of aggression" (as our U.S. authorities called it).

Miss Hoshino evidently construed my raising the question of whether "Shinto was applicable to a foreigner" as an effort to stimulate independent thinking in the students, and therefore potentially subversive. I suppose her reaction had partly to do with the idea of a foreigner intruding on what made Japan Japan, introducing rational thought into something mystical. In any event, she told me I was never to discuss the topic again, and she met with the class to tell them the same thing. Had I not already been planning to return to the United States early in 1940, I think she would have been pleased to effect my departure immediately.

In that 1938–1940 period there were frequently groups of soldiers on the street. Given the American emphasis on perfect marching, on spit and polish and pressed uniforms, I was struck by how rumpled the Japanese soldiers always looked and that they didn't know how to march. I

finally hypothesized that perfect marching was our American way of creating an adhesive group, whereas, since Japanese soldiers began with a group feeling, it was not something that had to be created.

Before I left for the United States in March 1940, I had a revealing experience in the Maruzen Bookstore while browsing through Western art books. In the year and a half I had been in Japan I had, for the most part, submerged myself in Japanese society. Apart from ancestor painting, man in Japanese and Chinese painting is a diminutive figure. Looking at these books on that day, I was abruptly reminded that Western art, on the other hand, typically centers on the human face or figure. The quotation from Protagoras, "Man is the measure of all things," might be used to summarize our Western concept that marks the contrast.

Returned to my home in Seattle that spring of 1940, I found that what most stood out for me was seeing green. I had not realized how much I had missed it; also, to be able to look at a garden, birds, and to feel the quietude of a suburban location after a year and a half in the heart of a war-stressed metropolis like Tokyo.

Chapter Two

Radcliffe College and Washington, D.C.

Being somewhat at loose ends upon my return from Japan in the spring of 1940, I ended up attending the University of Washington in Seattle for the academic year 1940–1941. There I took courses in economics and in the Far East Institute, and found the Japanese-language instruction a great improvement over that I had known in Tokyo.

Finally pulling myself together, I decided to embark on a Ph.D. program in economics. It was not that economics was my favorite subject; but I assumed that I needed to build on my undergraduate work, which had been a degree in politics, economics, and philosophy. It had not occurred to me that I could choose any subject I wanted. Much as I loved philosophy, I did not see taking a graduate degree in it. Between politics and economics, I believed that the latter favored classroom discussion; and I thought that I could do reading about politics on my own.

I wanted to attend Radcliffe College; but the problem was how to finance it. Then, out of the clear blue sky, my great-aunt in Honolulu, who had lost her sister earlier that year, said that if I would spend the summer with her there, she would make it financially possible for me to enter Radcliffe that fall. I could scarcely believe my good fortune.

In Honolulu that summer, one of my America–Japan Student Conference friends from the University of Washington was enrolled in the U.S. Marines' Japanese-language course. The Marines had decided that their service required some competency in the Japanese language. One thinks of Marines as ramrod straight. In fact, the course was so strenuous that every week my friend's shoulders were slightly more rounded.

CAMBRIDGE, MASSACHUSETTS

Thanks to my great-aunt, I entered Radcliffe in the fall of 1941 to begin a Ph.D program in economics. I remember that, so splendidly ignorant as I was of the college's setup, I said to the dean of graduate students with a catalogue in my hand, "I see Harvard faculty listed here, but where is the Radcliffe faculty?" She replied: "Don't you know that we are medieval? There is no Radcliffe faculty."

Radcliffe College, both graduate and undergraduate, consisted of students and administrators but no faculty. Harvard did not admit women; Radcliffe existed to provide a Harvard education to women. For undergraduate students, Harvard faculty crossed the Cambridge commons and delivered an identical lecture to the women. For graduate courses, women crossed the commons to Harvard Yard and attended classes with the men. And though Radcliffe's graduate final exams were identical to what the men took, they were administered in Radcliffe buildings. It was the advent of World War II, and the consequent scarcity of both faculty and students, that disrupted the pattern of duplicative lectures at the undergraduate level. Graduate women were first admitted to Harvard classes in September 1941, just three months before Pearl Harbor.

The fall of 1941 was also the first time Radcliffe graduate women were permitted to sit in the reading room of Widener Library, then the main library for Harvard students. We sat at one designated table, and this table bore signs that could be seen from whatever angle one approached it, announcing, "This table reserved for Radcliffe students taking graduate courses." Previously, female graduate students had been permitted to sit only in a room separate from the reading room about twenty by twenty feet in size.

In all, the college informs me, there were eighteen students in economics in 1941–1942, and fourteen in 1942–1943. I believe that most of these must have been in the Ph.D. dissertation stage, because when it came to graduate students that one actually saw in classes or in the dormitory, there were only three or four of us. The college speaks of total enrollment in the graduate school of the year 1941–1942 as having been 241; it was 253 in 1942–1943.

Much of the time in classes with the Harvard men I sat petrified with fear. The men were so knowledgeable—that is, most of the time. A number of them had previously held positions bearing on the topics under discussion. Economics was not a Mills College point of strength. If I had

entered graduate school in philosophy I would have felt comfortable, but not in economics. Although Keynes' *General Theory of Employment, Interest and Money* was published in 1936, it had not made the economics department of Mills College by the time I graduated in 1938. And in Japan, of course, I had had no exposure to the latest work of Western economists. Thus the *General Theory* was brand-new to me while familiar to most of my colleagues.

Graduate study in economics in the early 1940s was far from being a purely academic exercise. Students and faculty alike were in constant debate about how to apply what they knew to the urgent issues of the day. In the face of a catastrophic depression in the United States, where in 1933 one-fourth of the labor force was unemployed, Herbert Hoover had seen solutions in smaller government expenditures and balanced budgets. Franklin Delano Roosevelt, although campaigning in 1932 for balanced budgets, rapidly changed his mind once he was in office and saw solutions in terms of government expenditure in excess of tax income. The role of government in the economy was the defining point of a New Deal Liberal. Republicans were afraid of a large government role; Democrats were not. The difference was accounted for by differing views of market forces: would they always equilibrate demand and supply or were there times when they would be incapable of doing so?

The economics department of Harvard University was superb in the time period I was there. Among the faculty were Joseph Schumpeter (economic thought, capitalism and socialism), Alvin Hansen (business cycles), Gottfried Haberler (international trade), Sumner Schlichter (labor), Wassily Leontief (input-output), Alexander Gerschenkron (economic development), John Williams (money and banking). The problem with a small institution such as Mills was that the department tended to depend on one individual. As one example, Harvard's economics department was divided on the subject of Keynes, which made for great liveliness.

While the department had its share of outstanding men, it also had its share of prejudices. The faculty had only one Jew, Seymour Harris, and one was "enough." Paul Samuelson, a few years ahead of me, would find no teaching offer from Harvard. Accordingly, he went slightly downriver and accepted MIT's offer. In retrospect, how the department must have rued this decision.

The department, at this time, did not like the master's degree, so in consequence the difference between the master's and doctoral degree was the dissertation. As explained by the college's official register: "The

general examination for the Ph.D. is the same examination as for the Master's degree."

At a party I was introduced to Mrs. Chamberlin, a Frenchwoman who was the wife of Edward Chamberlin, the well-known Harvard economist who had already published his influential *Monopolistic Competition.* She asked me what field I was in and I said economics. Her wonderful reply was "Well, you don't look like one," which I regarded as a compliment.

I continued to study the Japanese language, this time using a text that included grammar. It was prepared by Sergei Elisseeff and Edwin Reischauer. Elisseeff had gone to Japan from St. Petersburg after the Russo-Japanese War, becoming the first Westerner to graduate from Tokyo Imperial University. After the Communist takeover of Russia in 1917, he emigrated to France where he taught Japanese and Chinese at the Sorbonne, and then from 1934 to 1960, at Harvard. Reischauer had grown up in Japan, where his parents were missionaries. After his graduation from Oberlin College, he entered Harvard as a graduate student in the fall of 1935.

It was almost impossible to study Japanese in Widener Library during that fall of 1941 without interruption. Anyone passing the table reserved for Radcliffe graduate students in the reading room and seeing the unusual script had to stop and inquire what it was.

That fall I attended my first "House" dance at Eliot House on the river as the guest of John Lintner, an economist who was to become a junior fellow (a much sought-after distinction) at Harvard with a specialization in public finance. I had two astonishing experiences. One was learning that one had to think of the outside temperature before adding a corsage to one's outfit; if one were nonchalant in the late fall, winter, or early spring, the cold might do it in. Second, coming from the West Coast, I was flabbergasted to see the whole inner wall of the dining room (converted to a ballroom) covered to a height of six to eight feet with cases of sherry, bourbon, scotch, and gin. On the West Coast at that time, one could not even sell liquor within a mile of a public educational institution. At Mills College in the 1930s it was a "sin" to have even beer on the campus. Imagine that many cases of liquor on campus! Unbelievable.

Inasmuch as so many Radcliffe graduate students were from other parts of the country as well as from abroad, the dean of the graduate school, Mrs. Cronkite (it was a Harvard affectation to drop the "Dr.")

arranged sight-seeing tours of nearby New England towns for us on Saturday afternoons. These had come to a halt soon after December 7, when gasoline conservation became necessary.

Everyone who was beyond infancy in 1941 remembers where he or she was on December 7. I was starting Sunday dinner (at that time served by maids) in the Radcliffe graduate dormitory at one o'clock. We had just begun to eat that Sunday when someone reported hearing a radio report of a Japanese attack on Pearl Harbor. Perhaps more than others, I was incredulous that Japan would attack the United States. Japan, of course, had all sorts of differences with the United States, but for it to take us on in armed conflict seemed unbelievable. It was clearly foolhardy, but Japan's military apparently reasoned that, owing to Japan's alliance with Germany, their attack would draw the United States into the European war. And a two-front war they believed Japan could win.

My father used to say that one positive feature of war is that it brings persons and nations in touch with reality. Japan's military discovered that reality was different from what they had imagined, and so did the United States. In those months following Pearl Harbor, when every news report brought word of Japanese victories and our defeats, respect for Japan's military prowess increased a great deal.

Some of my Radcliffe friends went down to Washington, D.C., during the summer of 1942, on completing the 1941–1942 academic year. With the United States at war, everyone was anxious to contribute to the mammoth effort our country was facing, and to become involved without delay. I, however, held off, because I wanted to get through my Ph.D. "general" examinations first. The thought of taking exams on course work done years earlier was daunting to me.

Under the system then in effect in the Economics Department, one presented oneself in six fields, four of which were examined in the "general" examination. One of the six one was allowed to "write off"—that is, fulfill the requirement with course work. I did that in statistics. My four fields for the general exams were theory, money and banking, international trade, and economic history. The Ph.D. requirements also included qualifying in two languages—normally, French and German. Harvard granted my petition to use Japanese as my second language, my first being French. I don't believe the Economics Department had ever had to consider such a request before. Having passed all of these exams in the summer of 1943, I then went down to Washington that fall.

The sixth field was the dissertation field, in which one took the

separate, "special" exam. At this time, when I took the other general exams, I had in mind to make public finance my "special" dissertation field. But I later changed to industrial organization as a result of my State Department and MacArthur staff positions. It would be in industrial organization, therefore, that I eventually took the final exam after completing my dissertation, entitled "Concentrated Business in Japan," in 1949.

One major legacy of my Radcliffe years is a lifelong friendship with a fellow economist from Peking, Shu-chuang Kuan. It was in Cambridge in that first fall of 1941 that I met Shu-chuang. Like me, she was beginning the program in economics, and we became close friends. Our friendship has lasted to the present day, although it was interrupted for a long time by events beyond the control of either of us; nowadays, we speak regularly by telephone although we live on opposite coasts of the United States.[1]

My second year at Radcliffe, I became a "head of house" of one of the smaller dormitories. Radcliffe used graduate students for that role rather than having older women as "house mothers," as was done in a great many colleges. In 1942–1943 we were all graduate students with one exception, an older woman from Concord, Massachusetts. It happened that she invited me to join her on a particular Friday evening. Instead of simply saying that I had a previous engagement, I said I had an invitation to the waltzing party—an event considered of great significance among the "socially acceptable" persons of Boston. Her memorable reply was, "My dear, and only your second season!"

It was customary in that period for female students to wear skirts. That was the only attire considered appropriate for attending class. The Radcliffe dorms where we lived (there was no mixing at that time) were roughly a mile from the Harvard Yard. To walk that mile with legs clad only in stockings when the weather was well below freezing was so painful that I occasionally had to stop at the Commodore Hotel on the way to thaw out.

To me, a New England spring was an astonishing experience. February came and February went. March came and March went. It was not until April that the grass began to turn green and there were crocuses. In Seattle, as in Tokyo, spring begins early. In Seattle one can have pussywillows and crocuses in February, as well as the first blooms of the camellia. In New England, May is one grand riot as the season makes up for its slow start. Everything bursts into leaf and bloom at the same time.

A YEAR AT THE OSS

While still in Cambridge I had been recruited by Charles B. (Burton) Fahs[2] for a position in the Research and Analysis Branch, Far East, of the Office of Strategic Services (OSS), which was one of what came to be five competing intelligence groups in Washington, D.C. (The other four were the Army, Navy, and Foreign Economic Administration [FEA] organizations, and subsequently the Air Force Intelligence group.) Roosevelt favored competition in his government.

I entered the OSS as a P-3, the equivalent of today's government service classification of GS-9. I was put to work assessing the significance of Japan's wooden-shipbuilding program, which Japan had begun in response to the shortage of steel.

Even though it was conventional in that period to dislike Washington, I loved the city from the moment I arrived. But where would I live? Washington was still suffering an acute shortage of housing. I located an apartment, but it was still under construction. A Radcliffe friend, Ruth Amande (Roosa), said that I might join friends with whom she was sharing a house, and that is what I did for six weeks or so.

That is also how I came to know Ralph Bunche, for his secretary was part of the same household. Bunche was at the OSS too, but in another part of the organization. In 1944 he was invited to become an assistant secretary of state, the first African American to be so invited, and transferred over from the OSS to the State Department. Subsequently, Bunche won the Nobel Peace Prize in 1950 and was undersecretary of the United Nations from 1955 to 1971. His B.A. was from UCLA in 1927; his Ph.D., from Harvard in 1934. We had a friendly relationship, although not a close one, during the period when we were both at the State Department.

MY MOVE TO THE STATE DEPARTMENT

Late in September 1944, I was loaned to State (and subsequently transferred) to one of the newly created economic divisions, the Commodities Division, which had as one of its parts the International Business Practices Branch. (There were no economic divisions in State before World War II.)

The circumstances were amusing. State was starting to formulate a postwar policy for Japan, but there were sharp differences of viewpoint

between the "Japan desk"—that is, the country specialists in State—and this new economic division. A critical question was which group would be the drafting group on U.S. policy toward the *zaibatsu?* (The *zaibatsu* were Japan's great conglomerate combines, the names of which are well known. They included Mitsui, Mitsubishi, Sumitomo, and Yasuda, to name only the "big four" among them.) As any bureaucrat knows, there is an advantage to being the drafting officer, for one is much more likely to get one's positions across in that situation.

The difference in viewpoint was a basic one. The Japan desk officers regarded the *zaibatsu* as true friends of the United States. The economists argued that they could not be, if democracy was what we were trying to create, for how could democracy grow where a handful of families dominated the economy and, furthermore, could buy the elections?

In that period, at least among nonacademicians, there were not many dimensions to this notion of "friends." You were either for or against the policies of the United States; that there could be shades of support or disagreement did not occur to them. It was beyond the foreign service imagination that Japanese labor was a group to be considered. As embassy colleagues said, politics in Japan consisted of the militarists and the business community.

Clearly the militarists opposed the United States. But might the business community have wanted to see it both ways? This option, in terms of the standard explanation, seems not to have been contemplated. The business community wished to have their support (of the U.S.A.) stressed, their collaboration (with the military) overlooked. For example, Shigeru Yoshida, the conservative politician who served four times as Japan's prime minister in the critical early postwar years, wrote as if the business community's antagonism to the military was total. But would it be possible to double one's position in the domestic economy (as measured by paid-up capital), to take attractive positions on the continent, and feel only antagonism toward the forces that got one there? This did not seem plausible to me, and my arguments seem to have been persuasive to my fellow economists at the State Department.

Since economists were new to the department, it is unsurprising that many of them were New Dealers. Robert Terrill, formerly of the Stanford University faculty and the chief of the International Business Practices Section to which I was assigned, had a small staff of about seven persons. It was this unit which, before I joined, had been responsible for shaping the "Suggested Charter" for a postwar international trade organization, an ambitious design that was eventually adopted by the

UN Conference on Trade and Development but failed to gain U.S. Senate approval.[3]

As the war went on, those involved in this effort came increasingly to link the building of an open postwar trading system with the effort to eliminate the international cartels that Germany used so effectively in military and economic warfare. It was no great jump, accordingly, for this group to become responsible for competition policy toward the defeated powers as well. Their thinking was primarily based on the German trusts and cartels, but there was no doubt in their minds that the same model applied to Japan. Bob Terrill tied into many interdepartmental groups. For example, the *zaibatsu* paper that I would eventually write for SWINCC was also a paper for the Committee on Private Monopolies and Cartels. Terrill's unit, before I joined it, had zero expertise on Japan, although several in the group were economics Ph.D.'s.

Astoundingly enough, given their newness to the department, the economists won the argument as to which unit of State would be the drafting group on the *zaibatsu*. But they then discovered that they had no one who could provide details for their analytic argument. They solved this embarrassment by going over to the OSS to borrow a Japan specialist. I chanced to be at the end of the wooden-shipbuilding industry assignment at the OSS, and not yet into another. I had earlier proposed an OSS study of Japan's industrial organization. That is how I came to be the one lent to State. There would have been others who could have been proposed as expert on Japan and its economy—Theodore Cohen, for instance, was also at the OSS at that time. I was twenty-eight years old, and he would have been about the same age. But I probably was the only one with expertise and strong interest specifically in Japanese industrial organization.

In 1944 the State Department was a male world. There was a young Bryn Mawr graduate, Carolene Wachenheimer (Marks) in the economic unit to which I was assigned, making us the only two women in the division. But in the whole of the department there were probably no more than a dozen women at level P-3 and above. That number included Eleanor Lansing Dulles, the sister of the secretary of state. The men in our economic unit typically ate lunch together. Never, for better than a year after I arrived, were Carolene Wachenheimer and I invited to join them.

One day on the street I encountered Ralph Bunche, who asked how I was finding State. I hesitated, and he said, "You probably have more to put up with around here than I." And I was inclined to agree that

the wrong skin color, if on a male, was less troubling to some of our colleagues than the wrong gender.

My work on *zaibatsu* policy was delayed a bit in early 1945, when I was asked to do a stint of teaching for the military. No sooner had I formally transferred to State, in January 1945, than the OSS asked if I might be lent back to them for two days a week for ten weeks. The job was to present a forty-hour lecture course that it was running on target analysis to officers and men at the University of Pennsylvania.

DRAFTING THE BASIC DIRECTIVE

The war against Japan ended before the Basic Directive, MacArthur's guide to policy, was finished. The directive was the product of three departments: State, War, and Navy. While the economists became the drafting officers on *zaibatsu* policy within State, there had been already in formation the State, War, Navy Coordinating Committee, put together in early 1945 to oversee postwar policy plans for Japan. Its mission was to draft the Basic Directive setting out U.S. policy for the Occupation (Table 1).

Initially State was in something of a huff about the interdepartmental committee taking over this role, for why should War and Navy be part of postwar planning, that was State's turf. But Major Ernest Gross, representing War at the working level, was highly skilled in public relations. When he explained at the first meeting of the working group—held at State—that War and Navy had "come over for guidance," feathers

TABLE 1.
Key dates leading up to the Basic Directive (1945)

August 15	Japan surrenders
August 30	MacArthur reaches Japan
September 2	Surrender ceremony aboard the battleship USS *Missouri*
September 6	President Truman sends MacArthur a summary of the not yet complete Basic Directive (although without presidential signature it had already gone to him on August 29)
September 22	Washington releases to the press the summary Truman had given to MacArthur
November 8	Completed Basic Directive (JCS 1380/15) sent to MacArthur

quickly settled into place. After the war, Gross became an assistant secretary of state for congressional relations.

The coordinating committee had layers from the bottom working level up to the top, the latter at first consisting of the three assistant secretaries of the Departments of State, War, and Navy. Policies of the committee were transmitted to the Joint Chiefs of Staff (JCS), who in turn transmitted them to MacArthur in Tokyo. As noted, the committee's task was to draft the Basic Directive, which carried the Joint Chiefs of Staff number, 1380/15 (fifteen being the number of revisions). This directive, which was completed in October 1945 after ten months' work, is what established United States policy for the Occupation. The interdepartmental committee approach represented a clear break in how foreign policy was determined within the U.S. government: up to World War II, foreign policy had been the province of the State Department alone. But since the war, U.S. foreign policy has been a shared exercise between State and the military. I participated at the "working level" of this interdepartmental group (known by its initials as SWINCC, with the "I" added for pronounceability only). I served there along with my immediate boss, Walter Rudolph (formerly of the Stanford University faculty).

Participation in SWINCC made a permanent contribution to my life as a researcher. What I learned from it ranged from the utterly basic to the highly specialized. All papers prepared for SWINCC consideration followed a standard format consisting of five parts: (1) statement of the problem; (2) facts bearing on the problem; (3) discussion; (4) conclusions; and (5) recommendations. Being required to begin research papers with a "statement of the problem" is clarifying.

Of all the issues before the State, War, Navy Coordinating Committee, none equaled in emotional intensity the matter of how the emperor was to be treated. Was he to be indicted as a war criminal or used to govern Japan? At times it seemed as if the whole city of Washington was involved in the debate. Even Sir George Sansom, the distinguished British historian of Japan, was a voice. Sansom served on the U.S.–U.K. Combined Intelligence Committee and was in Washington during the war. He joined the career officers at State in favoring retention of the emperor and using him as an instrument to help achieve Allied aims. Others, including many of the economists and liberal New Dealers, emphasized the need to pin responsibility all the way up to the top. For a young and politically inexperienced person such as myself, it was exceedingly difficult to form a clear judgment between these two intensely held positions. The Basic Directive did not exculpate the emperor; it did contain numerous references to using him.

THE ECONOMIC SECTION OF THE DIRECTIVE

The directive itself was divided into three parts: Part 1 was the general and political part; Part 2 was the economic part; and Part 3, the financial. The economic part was further divided into economic and civilian supply and relief. The directive to MacArthur opened with words conveying his authority, stating: "This directive defines your authority which you will possess and the policies which will guide you in the occupation and control of Japan in the initial period after surrender."[4]

The Basic Directive was the product of many arguments. Its drafting had begun to take shape before Roosevelt's death on April l2, 1945. Furthermore, the Japan directive was modeled on the Germany directive (JCS1170), and the Germany directive was completed while Roosevelt lived. The cast of characters was slightly different: for Germany, Treasury was a member of the drafting group, whereas it was not for Japan. In the tumultuous events of the transition period from Roosevelt to Truman, including Germany's surrender, the New Deal was a factor.

The Japan directive was not a vindictive document, but it did call for Japan to live with the consequences of its earlier decisions. It was not to enjoy living standards above those of its former enemies in Asia. Even though MacArthur came to insist upon relief supplies of food and some raw materials, Japan was never part of the Marshall Plan, as was Germany.

In the group to which I was assigned, the economic section of SWINCC (the group working on Part 2), one of the hottest debates was what U.S. policy should be toward the *zaibatsu*, Japan's giant combines. Were the Mitsuis, the Iwasakis (Mitsubishi), the Yasudas, and Kichizaemon Sumitomo "friends" of the United States as the Japan "desk" (career foreign service) officers of State argued? Or did these combines require a political environment of hierarchy, thus making them incompatible with the aim of converting Japan to democracy, as the economists argued?

The economists further pointed out that the combines had joined with the military in pushing Japan into its "program of aggression," as it was then called by the U.S. government. The program of aggression consisted of the Manchurian invasion of l931, the invasion of China proper in 1937, and the attack on Pearl Harbor followed by invasion of the Philippines, French Indochina, Malaysia, Singapore, Thailand, Burma, and the Netherlands East Indies (now Indonesia). The economists argued that giant business had partnered with the military in these aggressions; the limitations of the domestic market—a consequence of the country's

low-wage policy—made securing foreign markets a high priority for these businesses.

How did one write a paper on the Japanese *zaibatsu* in the United States during the war? Given the exceptional paucity of library resources that existed here, it was not easy. A Japanese-language corporation directory became my mainstay, but on occasion after occasion when I was looking for crucial information, the entry simply read: "information not available."

The interdepartmental committee, SWINCC, met through the greater part of 1945. The economic section of the resulting Basic Directive setting U.S. policy for the Japan Occupation instructed MacArthur:

> It is the intent of the U.S. Government to encourage and show favor to:
>
> a. Policies which permit a wide distribution of ownership and the means of production and trade.
> b. The development of organizations in labor, industry, and agriculture organized on a democratic basis.
>
> Accordingly, you will:
>
> 1. Require the Japanese to establish a public agency responsible for reorganizing Japanese business in accordance with the military and economic objectives of your government. You will require this agency to submit, for approval by you, plans for dissolving large Japanese industrial and banking combines or other large concentrations of private business control.[5]

Surrender came August 15, 1945, while the State, War, Navy Coordinating Committee was still working on the final details of the Basic Directive. To deal with this awkwardness, President Truman sent MacArthur a summary providing the high points of the Basic Directive on August 29. This was made available to the press on September 22. This meant that, although the Basic Directive itself remained "Top Secret," the Japanese knew the gist of it and understood clearly what the shape of coming policies would be. With respect to business concentrations, the summary statement was phrased thus: "It shall be the policy of the Supreme Commander to favor a program for the dissolution of the large industrial and banking combinations, which have exercised control of a great part of Japan's trade and industry."[6]

This had an immediate impact on "my" part of the directive, the deconcentration program, as publication of the U.S. government's outline prompted the Japanese to take their own initiative. The Japanese com-

bines, under heavy SCAP pressure, proposed a plan for dissolution of the holding companies of the "big four" *zaibatsu* (called the "Yasuda Plan"; see Chapter 3) in October of 1945. Most uncharacteristically, MacArthur cabled Washington to ask whether he should accept it. Washington, in effect, replied, "Accept it, but don't tie your hands as to later actions." And MacArthur was asked, "Would you find helpful a group of experts on corporate organizations?" MacArthur replied affirmatively, and so was born the State–War Mission on Japanese Combines ("State–War" because the Navy department chose not to participate).

The mission was headed by Corwin D. Edwards, then a professor at Northwestern University, who had served as a consultant to the International Business Practices branch of the Commodities Division of the State Department. It consisted of eight men representing the Antitrust Division of the Justice Department, the Federal Trade Commission, the Securities and Exchange Commission, the Federal Power Commission, and the U.S. Tariff Commission.[7] There were no Japan experts in the group; Corwin Edwards came as close to qualifying as anyone, as he had been consultant to the international business practices branch when my paper on the *zaibatsu* was being prepared. As I had drafted the research policy paper on which the U.S. position was based, it would have seemed logical for me to be included. But in that era it was unthinkable to include one woman with eight men, so I was left behind. The State–War Mission on Japanese Combines embarked for Japan in January of 1946 and was in the country for nine weeks, until March.

Chapter Three

The Occupation

The Occupation of Japan was an extraordinary attempt at social engineering. After four bitter years of war, the United States and its allies sought to make certain that armed conflict would not repeat itself further down the road. Toward this end they attempted to remake Japan into a democratic country in the belief that democracies are not aggressive. (This belief obviously ignored the history of nineteenth-century imperialism.)

The effort was nothing less than an attempt to change the character of a nation. And it was a nation about which we actually knew very little. The "bible" in Washington for understanding Japan during the war years was E. Herbert Norman's *Japan's Emergence as a Modern State* (1940). Then, postwar, Ruth Benedict's *The Chrysanthemum and the Sword* (1946). It is not surprising that, for the most part, those with the greatest confidence that we could succeed in this endeavor were those who were least familiar with Japan.

The boldness of the undertaking grew out of the costs of the Pacific war and the conviction that we had to take measures to prevent a repetition of it. War had been waged as total war, and now it needed to be total peace—which meant much more than just rearranging boundaries and collecting reparations. I was a participant in the early period of the Occupation, from April 1946 to September 1947.

As the lead antagonist to Japan in war, the United States became the lead architect in peace. Our extraordinary goal was to change the nature of government in a society of which we were largely ignorant. Not that all were agreed on this idea: many American observers, mostly New Dealers, strongly supported the proposed changes, but there were others

who thought them foolhardy. For example, former Ambassador Joseph Grew and his deputy chief of mission, Eugene Dooman, thought it was madness to try to carry over New Deal Liberalism (of which they thought little in the first place) to Japan. Japan was a totally different society.

There were other divisions as well. For instance, there was a school of thought that believed it possible to determine the friends of the United States by table etiquette. Those with beautiful table manners were friends; those ignorant of such matters were not. This made *zaibatsu* officials our friends; labor representatives not. But during the formative first two years of the Occupation of Japan, it was the liberal reformers whose ideals matched the mandate from Washington. In the lead were Edwin Martin, Assistant Secretary of State for Economic Affairs; and his deputy, Edward S. Mason of the Harvard Economics Department. (Mason was the professor under whom I would eventually write my Ph.D. dissertation on Japanese industrial organization.)

"THE OCCUPATION AS NEW DEAL"

In writing his account of the Occupation, Theodore Cohen entitled his study *Remaking Japan: The American Occupation as New Deal.* And so it was. There was much about the Occupation that was New Deal—a political fact that formed the thinking of many of its ardent supporters and participants as well as some of its harshest critics in the United States.

The awful macroeconomic performance of the American economy during the Great Depression was a very different background to what we know today. As government and business leaders groped for answers, many hypotheses were tried. In one such effort, President Roosevelt had sent a message to the Congress on April 29, 1939, asking that Congress explore the issue of concentrated business power. In his address he said:

> Government can deal and should deal with blindly selfish men. But that is a comparatively small part—the easier part—of the problem. The larger, more important and more difficult part of our problem is to deal with men who are not selfish and who are good citizens, but who cannot see the social and economic consequences of their actions in a modern economically interdependent community.

In response, Congress had created the Temporary National Economic Committee (TNEC). The alternate representative to that committee from

the U.S. Treasury Department was Charles L. Kades. Colonel Kades was deputy chief of the Government Section on MacArthur's staff, the section in which I worked.

AN "ALLIED" OCCUPATION?

In contrast to William Manchester's account[1]—which had MacArthur conceiving the Occupation in front of a thatched hut in the Philippines—the broad policy objectives of the Occupation were created by the State, War, Navy Coordinating Committee (SWINCC) in Washington. As already described in Chapter 2, I was a participant at the working level of this ten-month effort, a member of the SWINNC drafting committee, in which I had participated from its inception in early 1945 until July.

My discussion so far has been of "U.S." policy. But MacArthur's title was SCAP (Supreme Commander Allied Powers), and the effort was supposed, in principle, to be a joint one. In the case of Japan, the major allies were China, the United Kingdom and Commonwealth countries, and the Soviet Union. To understand what followed, it is necessary, first of all, to remember how the Soviet Union came to be one of these allies, joining—as it turned out—in the last seven days of the war.

The reason was an awful intelligence error. In consequence of faulty intelligence, the United States believed that the Kuantung Army, Japan's crack army unit on the continent that had handled the acquisition of Manchuria, was still intact. Even with Japan's surrender it was feared that this unit would continue the fight; and after four years of bitter fighting there was no stomach for post-surrender fighting. A second reason was one of the stouter U.S. military beliefs—that there should be no American combat on the continent of Asia. (In view of our later activities in Korea and Vietnam, it is striking to remember how widespread this conviction was only a couple of decades earlier!)

For both sets of reasons, it therefore seemed to make sense to bring the Soviet Union into the war. At Yalta on February 4–11, 1945, as the result of much U.S. pressure, Stalin agreed to participate within ninety days after the end of hostilities in Europe.[2] This time true to his word, Stalin attacked Japan on August 8, and the Soviet Union in consequence became a victor on the basis of one week's fighting.

So how was this group of allies to be fitted together? In Germany, the views of the Allies were accommodated by dividing the country into

four parts and giving each of the Big Four—the United States, the United Kingdom, France, and the USSR—a zone. But by the fall of 1945 (V-E Day having occurred on May 8), Washington was adamantly opposed to zones—as was MacArthur, who had been selected to head the occupation of Japan. Given the record of problems that had already accrued in Germany during the initial months of the Occupation, MacArthur's insistence on a single administration in Japan did not need much justification.

This was the problem facing the Moscow Conference of December 1945, which represented the United States, the United Kingdom, and the USSR with the concurrence of China. The solution finally reached by the conference was to have two Allied bodies. One was the Far Eastern Commission (FEC) in Washington, replacing as of March 1946 an earlier body called the Far Eastern Advisory Commission (FEAC). The other was the Allied Council, sitting in Tokyo to be the commission's "eyes and ears."[3] The commission was an eleven-member body composed of the United States as chair, China, the USSR, the United Kingdom, Australia, New Zealand, India, The Netherlands, and France. The council was a four-member body chaired by SCAP, with Australia (representing the Commonwealth), China, and the USSR.

It did not work. MacArthur, never known to brook comments critical of his administration, treated the Allied Council badly. He ignored the commission in its advisory (FEAC) form. When the FEAC visited Tokyo on January 31, 1946, it tried very hard to be a voice in the drafting of the new Japanese constitution. But MacArthur would have none of it, even going so far as to bend the truth about what was happening in Japan when he spoke with the commission's representatives. Relations between SCAP and the Far Eastern Commission improved after the word "Advisory" was dropped from its title, and it became a "model of accomplishment and decorum," in the words of Richard Finn.[4] However, the commission's Tokyo arm, the Allied Council, was disregarded by MacArthur throughout.

Notwithstanding these efforts toward Allied involvement, the Occupation was an overwhelmingly American show. There was little "Allied" about it. Initially, the British did have troops stationed in Chugoku west of Kobe, but, having nothing to do, they were withdrawn beginning in the fall of 1946.[5] This left Commonwealth military representation to the Ghurka troops from India, who colorfully protected the Commonwealth's representative in Tokyo, an Australian diplomat named McMahon Ball (author of *Japan, Enemy or Ally?,* 1949).

DEPARTURE FOR TOKYO

Although I had been trying to get to Japan from the fall of 1945 I did not succeed until April 1946, some eight months after the start of the Occupation. My going was in response to a named request by the Government Section of SCAP, which desperately needed staff with some knowledge of Japan.

To have been a participant in this undertaking was exciting, stimulating, and sobering. The Occupation was the most intellectually challenging environment in which I have ever lived. When one's ideas would affect seventy million people (Japan's population at the time), one did not offer them lightly. The staff of the Government Section in the beginning years of that effort was both diverse and exceedingly able. There were T. A. Bisson, Cyrus Peake, and Andrew Grajdanzew (later Grad), all published authors. There was Howard Meyers, later to rise to class one Foreign Service officer. There was Alfred Oppler, head of legal work in the Government Section, a German-born American who had formerly been associate justice in Prussia of the Supreme Administrative Court. And there was Milton Esman, later to be on the Cornell University faculty.

I traveled on an army transport from the West Coast of the United States after reaching Seattle by rail. This ship was the first to bring women to the Japanese theater apart from nurses, Red Cross personnel, and USO (United Service Organizations) staff.[6] Deck space was duly segregated. We took the northern route to Japan, which is to say twelve days of cold, foggy weather and uncalm seas.

While the voyage itself is by now a blur in my memory, my impressions of Japan when we at last arrived across the Pacific are exceedingly vivid. The trip from the pier in Yokohama to Tokyo was my introduction to what the consequences of "total war" actually looked like. Like all Americans, I had heard over and over again the message of U.S. officials about how—during Japan's military operation in China preceding and following Pearl Harbor—Japan's operations had failed to distinguish between civilians and combatants. But, as it turned out, so had we. The incendiary raids on Japan's cities did not distinguish between women and children, grandparents and military personnel. We burned them all up.

Notwithstanding that some eight months had passed since hostilities ended, all was devastation. I could scarcely believe the scale of destruction we had wrought in the industrial corridor between Yokohama and Tokyo. In the room that I later occupied in Tokyo, one looked out at night

on acres of blackness. The climax of this "incineration," of course, came from the atomic bombs dropped on Hiroshima and Nagasaki—which had the effect of havoc, not only instantaneous but lingering.

My first nights back in Tokyo I spent in a women's billet in the Nippon Yusen Kaisha (NYK) Building just up from Tokyo Station on the Nakadoori ("inner road"). A portion of the building had been converted from its former lofty status of housing a major shipping company to a dormitory. Later I transferred to a women's billet located between the Imperial and Daiichi Hotels.

This was a short walk from my office at the General Headquarters (GHQ), although my commute was always an eventful one. The street held lots of GIs—indeed, American soldiers were to be seen all over Tokyo, keeping the peace. And they had become quite unused to the sight of a young American woman, there being very few of us among the U.S. personnel in the Occupation. I became so used to being whistled at that, on the rare day when there were no whistles I started to wonder if there was something lacking in my grooming. (This was long before the days when American women learned to complain about this sort of customary rudeness; we were expected to accept it in good humor.)

Because it was awkward from both sides to be seen "fraternizing" with Japanese, I saw little of my former student conference friends. Exceptions were a few very close friends, including Kuwako and Yasundo Takahashi. He later became a member of the Berkeley faculty in electrical engineering, and she became a nationally known speaker on Japanese flower arrangement and the author of a best-selling Japanese cookbook. Also, there were Hanako and Chujo Watanabe, she of an ILO (International Labor Organization) background and he a Reuters correspondent. And there were Hisako Ikeuchi and her husband, Akira. It was Hisako who had found the 1938 scholarship for me, as related in Chapter 1. Akira Ikeuchi, her husband, was a staff person of the Holding Company Liquidation Commission; in fact, he was part of the group that documented the entire volume of law relating to the deconcentration program in 1949.[7]

Other friends I had known prewar, the Takagis, took me to see their home, which had been completely destroyed by the bombing. Nothing was visible except the pathstones that used to lead to their door. Mr. Takagi had brought these stones all the way from Korea when they built the house. Seeing this was a painful experience and brought home to me once more the extent of devastation the war had wrought.

WORK AT SCAP HEADQUARTERS

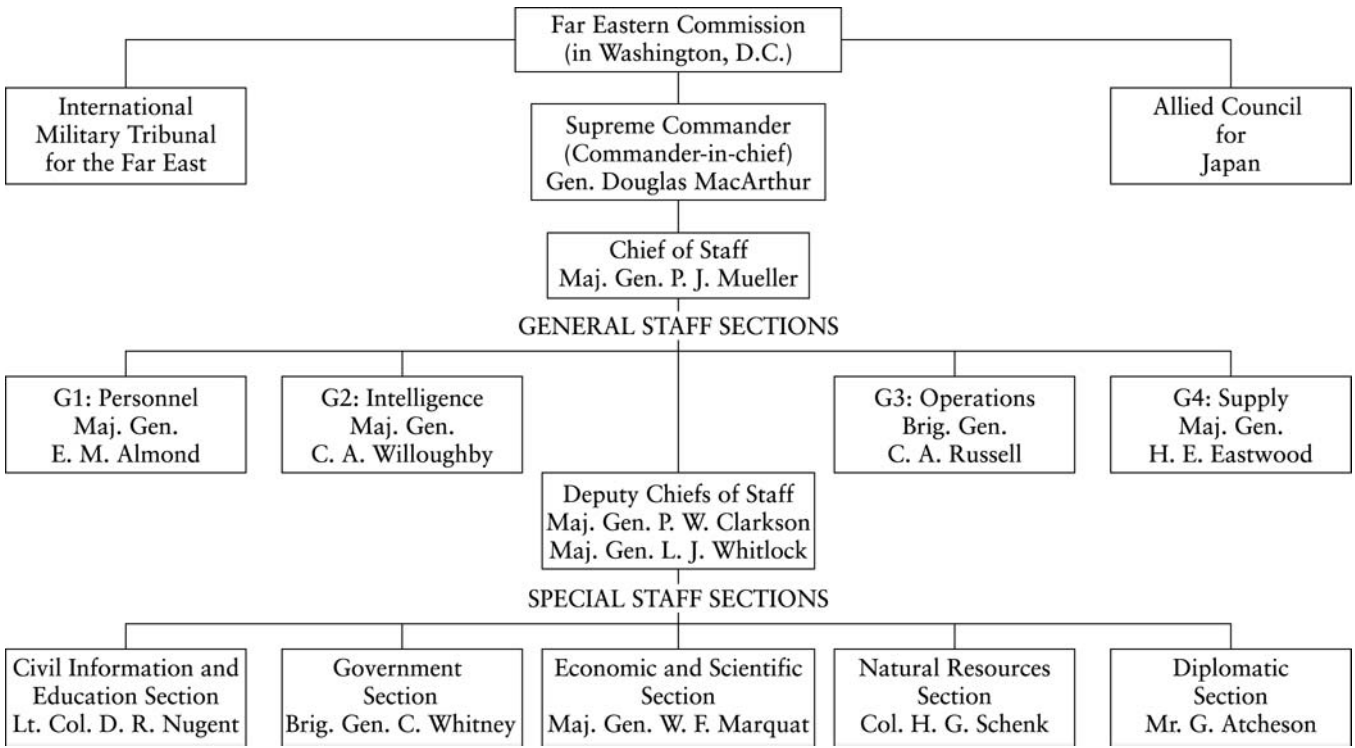
There were several "special" sections advising the supreme commander in addition to the traditional four military sections—G1 (Personnel), G2 (Intelligence and Counterintelligence), G3 (Operations), G4 (Supply). In addition to the Government Section, there were the Economic and Scientific Section, the Civil Intelligence and Education Section, and the Diplomatic Section—to name only a few of these special sections (Table 2). The power and influence of sections, traditional or special, were a function of the importance of their responsibilities and of the closeness of their respective chiefs to MacArthur. Government Section had the benefit of both.

By day I worked in the Government Section (GS) located in the Daiichi Life Insurance Building, which was across the moat from the palace and a ten-minute walk from my lodgings. I began as a P-3, the equivalent of an army captain, but was advanced fairly rapidly to a P-5, the equivalent of a major. My job description said I was responsible for preparing studies and recommendations on the relationship between government and business, and specifically for research on corporate reorganization, the dissolution of the *zaibatsu* and liquidation of their properties, decartelization, antitrust measures, and nationalization of industry.[8]

My assignment may sound a little anomalous, since economic deconcentration and antitrust belonged in the first instance not to the Government Section but to the Economic and Scientific Section (ESS), headed by General Marquat (who had an anti-aircraft background). But General Whitney, who was chief of GS, took a somewhat imperial perspective, seeing a political dimension to most any program. Accordingly, it seemed appropriate for me to follow deconcentration and antitrust for GS, which I did. (General Marquat, who chanced to see me as I was leaving for the United States, asked, "Eleanor, why did you not come to my section?" I replied, "Because you did not invite me." He objected, "But I did!" In any event, the invitation never reached me.)

A further advantage for me, being assigned to the Government Section, was that several of my colleagues had previously been known to me only as the names of authors I had read as a student. Imagine having such persons as colleagues! Moreover, the section had as its deputy chief Charles L. Kades, the most wonderful administrator under whom I ever worked.[9] The final plus was that General Courtney Whitney headed the section. Among the generals of the Headquarters, each heading a different section, he was number one. Before the war, in the Philippines, he had

TABLE 2.
Organization of the GHQ in the Occupation of Japan
(simplified; sections referred to in the text are identified)



been MacArthur's personal lawyer. As seen from staff members' perspective, the two men were so close one could not confidently distinguish their handwriting. Most important for those lucky enough to work under him, Whitney was the only section head with easy access to "the Chief" (MacArthur), assuring that the work we did had a maximum chance of making a difference.

The chief and deputy chief of the Government Section were a study in political contrasts. General Whitney was conservative. Colonel Kades was a New Deal Liberal. But so skillful a lawyer was Kades that, if one could persuade him, Kades was likely to influence Whitney, and Whitney in turn to persuade MacArthur.

Government Section was on the sixth floor in a large room next to MacArthur's office. The area that had once been a ballroom was converted into workspace for the Government Section. Our proximity to General MacArthur's office benefited General Whitney, who saw MacArthur one or more times a day. It made no difference to those of us on the staff. Ordinary mortals were able to view MacArthur's arrival at and departure from the building, but not to speak to him.

MacArthur's schedule was different from ours as well: he would arrive around 10:00 A.M. and work until roughly 1:00 P.M. He then had luncheon at the residence (the ambassador's residence where he lived), took a nap, and returned to Headquarters toward 4:00 P.M. He would then work until the day's work was completed, at six, seven, eight, or on occasion even nine o'clock at night. For a person such as General Whitney this could make for a strenuous schedule, inasmuch as office hours for the rest of us were 8:00 A.M. to 5:00 P.M. And, as chief of the section, he believed it necessary to be on hand for the rest of us as well as for his boss.

ANTITRUST MEASURES: A BIT OF CHRONOLOGY

Business deconcentration measures, in which I was to be primarily involved—although, as one of the few economists on the Government Section staff I of course participated in discussion of most economic policy issues—were part of a broader fabric of actions intended to make the Japanese economy more responsive to the interests of the Japanese people, to make the distribution of income more equal, and thereby to support the creation of a more democratic society and peaceful relations with other nations. Table 3 outlines the chronology, although it makes no pre-

TABLE 3.
Key dates related to deconcentration

September 6, 1945	MacArthur receives Summary of Basic Directive (JCS 1380/15) from President Truman
November 6, 1945	"Yasuda Plan" adopted as Scapin 244
January 1, 1946	Political Purge announced
April 20, 1946	Holding Company Liqudation Commission (HCLC) created by Imperial Ordinance 233
August 15, 1946	Law providing for separation of outstanding accounts
October 19, 1946	War Indemnity Cancellation Law
October 1946	Laws establishing special accounting companies (Financial Institutions, Reconstruction, Reorganization Law; Enterprise Reconstruction and Reorganization Law)
October 1946	Capital Levy Law
January 1947	Economic Purge (as an extension of the Political Purge)
April 12, 1947	Law Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade ("Antimonopoly Law")
May 1947	Report entitled "Excessive Concentrations of Economic Power in Japan" of the State–War Mission on Japanese Combines (Edwards Mission Report) adopted by the U.S.A. and transmitted to the Far Eastern Commission, where it becomes FEC 230
July 3, 1947	Scapin 1741, splintering Mitsui Trading and Mitsubishi Trading Companies
August 1947	Fair Trade Commission established
December 8, 1947	Law for the Elimination of Excessive Concentrations of Economic Power, Law no. 207 of 1947 ("Economic Deconcentration Law")
January 2, 1948	Zaibatsu Appointees Law
March 12, 1948	U.S.A. formally withdraws support of FEC 230 following objections from Senator Knowland and others, leading to its withdrawal by the FEC
April 12, 1948	Tokyo Stock Exchange established

tense at being comprehensive, confining itself to measures that will form part of my discussion.[10] As the list indicates, deconcentration had sufficient priority to be the subject of one of MacArthur's first actions, the adoption of the "Yasuda Plan" in the fall of 1945. This instruction, entitled Scapin 244,[11] among other things ordered the Japanese government to pass an antitrust law, something that was not achieved until nearly one

and a half years later, in April 1947. It also called for the establishment of the Holding Company Liquidation Commission, which materialized after a delay of four months, in April 1946.

In the interim, there were a number of emergency measures in the summer and fall of 1946, without which virtually the entire economy would have been thrown into chaos and reform would have been an idle exercise in theory. Under SCAP pressure, the Japanese government canceled the huge debt it owed business under the War Indemnity Cancellation Law (Law no. 38 of 1946). As described in SCAP documents, the background to this was that the government during wartime had "underwritten practically every kind of risk incident to private enterprise associated with the war . . . war damage insurance, contract termination, indemnities for government-ordered plan expansion, and depreciation and obsolescence. . . ."[12] Without other legislation this cancellation would have left virtually the entire corporate sector in bankruptcy. These "other" laws (Laws no. 39 and no. 40 of 1946) provided for the reconstruction and reorganization of financial institutions and enterprises, and called for bridging to previous legislation creating special activity companies. The earlier legislation of August 15, 1946, provided for separation of accounts into those required to sustain existing activities, and others. Assets required for current activities could not be touched.

At about the same time, the Japanese government under SCAP pressure also passed the Capital Levy Law. This was aimed at individuals, imposing a progressive tax on personal assets with the aim of broadening wealth distribution. Assets up to ¥100,000 in value were exempted. Beyond that, rates graduated from 25 percent on amounts above ¥100,000, up to 90 percent above ¥15 million.[13]

Regarding deconcentration itself, as already noted, MacArthur's order adopting the Yasuda Plan came in November 1945. Initially related to the "big four" plus the Nakajima (Aircraft) group, it was gradually expanded to cover other concentrations. The plan contained the broad outlines of deconcentration measures and called for implementation along several fronts. Implementation itself was slow to materialize, but eventually it did: the economic purge came at the beginning of 1947, a year after the political purge had been announced. (The *Zaibatsu* Appointees Law added a few more purgees another year later, in January 1948, but by then this was halfhearted reform in a decidedly un-reformist environment.)

The Anti-Monopoly Law was to be passed in April 1947,[14] although

it had no effect until the Fair Trade Commission was set up to enforce it, in August. A month before that, in July 1947, a Scapin was issued to splinter the two giant trading companies, Mitsui Trading and Mitsubishi Trading. No more than two officers (a designation that extended all the way down to section chief) from either company could join together to form new trading companies. This action was noteworthy because it did not ask for the Japanese government to authorize it, instead reverting to direct action by the Occupation authorities. This action—the most drastic of the whole deconcentration program—was masterminded by Ed Welsh, my colleague who was head of Antitrust and Cartels in ESS. It is interesting to note that the critics of deconcentration never attacked this part, an anomaly that is probably explained by the fact that it was a decision taken entirely within the Headquarters, not involving the State–War Mission or any other advisory group. The critics, always loath to embarrass MacArthur, evidently chose to overlook this decision that was clearly his responsibility alone.

Finally, there would be the Economic Deconcentration Law itself, passed in December 1947 to implement the detailed recommendations of the Report of the State–War Mission on Japanese Combines, led by Corwin Edwards. As already described in Chapter 2, the Mission had begun its work in January 1946. It submitted its report to the U.S. government in March 1946, but it was not adopted as policy until almost fifteen months later. It was soon to become mired in controversy and ultimately withdrawn as U.S. policy in early 1948—but not before the slowly turning wheels of Japanese government machinery had finally passed the Deconcentration Law of December 1947, modeled on Law 56 of Germany.[15]

BECOMING A TRUSTBUSTER

Curiously, I came into this extraordinary enterprise in 1946 as a young person with relatively little political identity or sophistication. Indeed, it is fair to say that it was not until my State Department experience that I grew at all politically conscious. Coming from a family that leaned toward Republican views, it took me some time to become a New Deal liberal. But by the time I got to Japan I had indeed become one. Having grown up with images of the Great Depression and coming of age as the country went to war, I was drawn to the challenge of designing a better

world, as were most of my generation. For those of us studying to become economists in Cambridge, Massachusetts, the issues and ideals forming FDR's New Deal were the air we breathed. There was no question in my mind that I deeply believed in the principles enunciated in the Basic Directive.

The Basic Directive in its instructions to MacArthur used the term "combine" instead of "*zaibatsu*" because of the fuzziness of the latter term. Briefly put, "combine" refers to a complex of corporations that display unified business strategy arising primarily (but not exclusively) out of an ownership base.[16] "*Zaibatsu,*" on the other hand, can refer to individuals or families, or to a business structure producing the wealth. In the latter case, it can refer to a family or organization at the top of the business structure or to the whole. It can be singular or plural.

The typical *zaibatsu* structure consisted of a holding company at the apex and beneath it the complex of subsidiaries, and subsidiaries of subsidiaries, that it controlled. The Mitsui *zaibatsu* was made up of eleven families; in the Mitsubishi case there were two (Iwasaki) families; and in the case of Sumitomo, one family. The eleven Mitsui families were not equal: the senior main family controlled 23 percent of the assets of the holding company; the other four main families, 10.5 percent each, and the remaining ones, 3.9 percent each.[17] Details for the Mitsui combine, Japan's largest at the war's end, illustrate this structure (See Tables 4 and 5).

TABLE 4.
Mitsui combine

Top-holding company	1
Designated subsidiaries ("first-line" and "second-line") of top-holding company	22
Ordinary subsidiaries of top-holding company	50
Subsidiaries of designated subsidiaries, except Trading and Mining	81
Subsidiaries of Trading	60
Subsidiaries of Mining	31
Subsidiaries of ordinary subsidiaries of top-holding company	27
Total	272

SOURCE: Eleanor Hadley, *Antitrust in Japan* (Princeton, N.J.: Princeton University Press, 1970), p. 27. Based on information submitted by Mitsui to GHQ-SCAP.

TABLE 5.
Comparative Combine Subsidiaries

Mitsui	294		Nissan	179
Mitsubishi	241		Asano	59
Sumitomo	166		Furukawa	53
Yasuda	60		Okura	58
			Nakajima	68
Big four	761		Nomura	19
			The other six	436
		Total 1,197		

SOURCE: Eleanor Hadley, *Antitrust in Japan* (Princeton, N.J.: Princeton University Press, 1970), p. 26. Based on information compiled by the Holding Company Liquidation Corporation (HCLC).

TACKLING DECONCENTRATION: BACK TO THE BASIC DIRECTIVE

Within two months of my arrival in Tokyo, I had prepared a four-page single-spaced memorandum for General Whitney calling attention to the disparity that had developed in the economic deconcentration program: the gap between the JCS 1380/15 instructions to MacArthur and the reality of what was actually being done. I argued that MacArthur might have good reasons to deviate, but deviation should be done knowingly, not unwittingly.

The disparity in SCAP actions compared to instructions began with the fact that JCS called for the elimination of combines, not merely holding companies as the Headquarters appeared to be doing. As noted above, a holding company forms the corporate peak of a combine's organization, but there are many combine ties binding parts to the whole besides those of legal ownership by the top holding companies. Thus, eliminating holding companies alone left many ties intact: for instance, intracombine ownership, interlocking directors, joint credit, joint buying and selling. And these would be a real help in any effort to reassemble the combines should such an effort occur later.

Rereading this memorandum now, I realize far more clearly than I did then why I stood out with my trust-busting mandate; it was because at that time no one was pushing for antitrust policy as written by the Joint Chiefs of Staff. That is to say, staff were satisfied with the liquida-

tion of holding companies rather than the liquidation of combines. My isolation in this would not change until Lester Salwin arrived six months after me. Ed Welsh did not arrive until a year later, when he took over as chief of the Antitrust and Cartels Section of ESS in March 1947. I reproduce my memorandum here because I think it puts things in far better perspective than anything I could add.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

12 June 1946

MEMORANDUM FOR THE CHIEF, GOVERNMENT SECTION

SUBJECT: Holding Company Liquidation Commission

1. On 4 May 1946 Mr. T. A. Bisson, C. H. Peake and the writer held a meeting with Capt. Cooper and Mr. Siff of ESS/AC concerning the drafts of 3 ordinances related to the Holding Company Liquidation commission. The discussion revealed a significant divergence of views with respect to implementation of the business deconcentration program. Antitrust and Cartels as indicated in their commentary on the Edwards Report endorsed a limited program of action calling primarily for dissolution of selected top holding companies. The Government Section members took the view that dissolution of top holding companies while a valuable step was but a first step toward the dissolution of large Japanese combines. Inasmuch as current SCAP policy tends to differ widely from that which the Supreme Commander was originally instructed to execute, it is thought important that considered judgment be given the disparity. The following paragraphs chronicle the sequence of events from the drafting of JCS 1380/15 to the proposed ordinances discussed in the check sheet indicating how at each step SCAP policy has become more removed from that which the Joint Chiefs of Staff requested [ordered]. It may be that the Supreme Commander will hold that the exigencies of the situation warrant different action than was called for in the Basic Directive, but it is believed important that the new program represent deliberate and considered deviation.

2. It was because the Joint Chiefs of Staff did not believe the security interests of the United States and its Allies would be adequately safeguarded by territorially reducing Japan to the main islands and proscribing army, navy, air force and selected industries, that they held certain political and economic changes to be essential. The President enunciated these views on 22 September 1945 when he released to the press a statement on "United States Initial Post Surrender Policy for Japan." He stated, in addition to policy concerning political bound-

aries, the armed services, industrial production, etc., "encouragement shall be given and favor shown to the development of organizations in labor, industry, and agriculture, organized on a democratic base. Policies shall be favored which permit a wide distribution of income and of the ownership of the means of production and trade. . . . To this end it shall be the policy of the Supreme Commander . . . to favor a program for dissolution of the large industrial and banking combinations which have exercised control of a great part of Japan's trade and industry."

3. In the Basic Directive JCS 1380/15, the Joint Chiefs of Staff instructed the Supreme Commander to "require the Japanese to establish a public agency responsible for reorganizing Japanese business in accordance with the military and economic objectives of your Government. You will require this agency to submit, for approval by you, plans for dissolving large Japanese industrial and banking combines or other large concentrations of private business control."

4. Accordingly, shortly after the beginning of the occupation interested sections of SCAP held discussions with top officials and directors of Japan's large combines. As a result of numerous conferences, various dissolution plans were submitted. These early plans were uniformly unsatisfactory. However, on 20 October, 1945 SCAP cabled Washington on an outline of the Yasuda plan and requested approval as the basis for dissolution of Mitsui, Mitsubishi and Sumitomo holding companies as well. On 4 November 1945 the JCS replied, "The Joint Chiefs of Staff have no objection from a military point of view subject to those reservations (the reservations which follow). Full freedom of future action should be retained by you concerning subsequent elaboration or modification of plans. This is considered particularly vital with respect to: (a) Subsequent addition of provisions relative to interlocking directorates and intercorporate stock ownership below top holding companies. . . . (b) It is understood . . . that [the] Control Commission will be staffed by Japanese Government officials under your supervision. Departments of State and Justice stress importance of close scrutiny of Control Commission operations in order to assure good faith execution of plan." On 4 November 1945 SCAP received the final detailed statement of the Yasuda plan [from the Japanese], which was accepted on 6 November subject to the understanding that the Supreme Commander retained full freedom of action "to elaborate or modify the proposed plan at any time and to supervise and review its execution."

5. The Yasuda plan had several interesting features. It will be recalled that the wording of JCS 1380/15 was "large Japanese industrial and banking *combines*." The term "combine" has two commonly accepted meanings: (a) a top holding company, and (b) top holding

company plus controlled enterprises. It was in the latter sense that the relevant paragraph in the JCS 1380 was drafted. The Japanese were informed that combines were to be dissolved. The *zaibatsu* in the ambiguity of the term, however, [saw] an opportunity to give themselves benefit of the doubt. Therefore, to avoid confusion as to the nature of their proposals they used the term, "holding company" in place of "combine."

6. The Yasuda plan in brief proposed:

a. that the Mitsui, Yasuda, Sumitomo and Mitsubishi holding companies would transfer to a Holding Company Liquidation Commission not only their own stock but all securities owned by them;

b. that the holding companies would cease to exercise direction or control of all firms whose securities they owned or of which they held any other evidences of ownership or control;

c. that all members of the Mitsui, Yasuda, Sumitomo and Iwasaki families would immediately resign *all* offices held by them in *any* enterprise and cease to exercise any influence in the management of the holding companies;

d. that directors and auditors of the holding companies would resign all offices held by them in such holding companies immediately after the transfer of securities; and

e. that the Imperial Japanese Government would establish a Holding Company Liquidation Commission;

(1) to proceed with the liquidation of all property transferred to it by the holding companies;
(2) to issue receipts in exchange for transferred property;
(3) to exercise voting rights of transferred stock; and
(4) to redeem receipts by issuance of 10 year non-negotiable Imperial Japanese Government bonds;

f. that when securities were offered for sale preference to purchase would be given to employees of the companies involved and in the case of corporate shares the number of such shares which might be purchased by any single purchaser would be limited in order to insure maximum democratization of ownership;

g. that immediately following the transfer of securities to the Holding Company Liquidation Commission, proceedings would be commenced for the dissolution of the holding companies.

7. As stated above SCAP "approved in general" this plan on 6 November 1945. However, it was not until 20 April 1946 that the plan was finally drafted into ordinance and promulgated as Imperial Ordinance 233. There are certain differences, however, between the original "Yasuda Plan" and the Imperial Ordinance.

a. The original plan stated that the Holding Companies would

transfer to the Commission "*all* securities owned by them and all other evidences of ownership or control." The Ordinance states, "The Commission shall . . . receive from the Holding Companies securities and such other properties owned by them *as the Commission may elect to receive.*"

b. The original plan stated, "The Holding Companies will cease to exercise direction or control, either directly or indirectly, of all . . . enterprises whose securities they own or of which they hold other evidences of ownership or control." The Ordinance makes no such commitments.

c. The original plan provided for the resignation of the directors and auditors of the Holding Companies. This would presumably allow the Commission to exercise its influence in determining the new board of directors through whom it would be working. The Ordinance makes no such provisions.

d. The original plan called for the resignation by members of the Mitsui, Yasuda, Sumitomo and Iwasaki families of all offices held by them in *any* enterprise. The Ordinance has no comparable requirement.

e. The original plan [made] provisions relative to the sale of the transferred securities. It states "preference to purchase will be given to employees of the companies involved, and in the case of corporate shares the number of such shares that may be purchased by any single purchaser will be limited in order to insure maximum democratization of ownership." The Ordinance has no provisions on this point.

f. The timing on the dissolution of the Holding Companies differs also. The original plan stated, "Immediately subsequent to the time of the transfer to the Holding Company Liquidation Commission of the securities and other evidences of ownership and control, proceedings will be commenced for the dissolution of the Holding Companies." Inasmuch as the Ordinance makes no blanket requirement for the transfer of Holding Company securities, it is to be presumed that the Holding Companies will continue in existence until the last block of securities held by them will have been liquidated.

8. When the Imperial Ordinance is compared to the instruction in JCS 1380/15, it is apparent how far the present situation is from that called for, namely, the establishment of a *public* agency responsible for *reorganizing* Japanese business, the reorganization of which is to be accomplished by the dissolution of large Japanese industrial and banking *combines* or other large concentrations of private business control.

9. The public agency has given way to a virtual private agency whose powers stem from authority delegated to the Imperial Japanese Government by the four named holding companies. Holding company

control of the combines is thought of in ownership terms only (interlocking directorates and other control devices being ignored) so that it is possible for ESS/AC to conclude, "It should be recognized that upon the dissolution of the holding companies, no further *zaibatsu* influence will be present in the remaining corporate structure." *"Zaibatsu"* being a loose term (money clique or big business clique are suitable equivalents) it is somewhat difficult to know in what sense ESS/AC intended the term in the above statement. Certainly, however, it would be impossible to argue, following the corporate dissolution of the top holding companies, that there will not remain great concentrations of business control, Mitsui Trading, Mitsubishi Heavy Industry, Sumitomo Mining to wit. In the sense in which the Joint Chiefs of Staff used the term "combine" they intended that the Supreme Commander would include such companies within the purview of his deconcentration program. It will be recalled that the Joint Chiefs of Staff specifically directed the Supreme Commander's attention to the question of interlocking directorships and intercorporate stock ownership below the top holding company level.

10. In view of the foregoing discussion, the writer would like to see discussions held with ESS/AC with a view to arriving at considered judgments concerning appropriate measures for implementing the JCS 1380/15 paragraph 25. As stated above it may be that the Supreme Commander will hold that certain changes in the JCS instruction are required by the exigencies of the situation. It is thought regrettable however to see the course of action diverge widely from JCS instructions without weighing the reasons for the disparity.

ELEANOR M. HADLEY
Governmental Powers Branch

NOTED:CLK

DIAGNOSING "CORDIAL OLIGOPOLY"

Let me pause here to provide a few definitions. A combine is a combination of operating companies, typically with a holding company at the apex. A holding company is a company that exists to control other companies. Typically in Japan, controls rested on four devices: stock ownership, interlocking directors, credit, and buying and selling.

Stock ownership is clear. Interlocking directors are directors who serve on the boards of two or more companies. In 1944, the holding companies might appoint the entire board of key subsidiaries. Credit was obtained from the commercial bank of one's group and/or the group's

trust banks, life insurance, and commercial insurance. Purchases and sales were made through the trading company of one's grouping. Thus the strength of the entire combine could be brought into play with each commercial transaction.

Market dominance is less obvious. Unlike in the West, Japanese business put these enormous structures together by combining "chunks" of different markets, that is, by combining oligopoly positions. Up to surrender in 1945, there were few markets where the dominant players came close to having monopoly positions of the market. Rather, market positions were uneven: 20 percent here, 35 percent there, 10 percent somewhere else. Oligopoly is a circumstance where only a few players "control" (i.e., dominate) the market. But if these few players face the same oligopolists in markets of their strength as in markets of their weakness, they may hesitate to take advantage of their strength because they face the same opponents in markets of their weakness. Economists describe this situation as "cordial oligopoly."

Japan was an extreme example of cordial oligopoly. Instances of a single seller (monopoly strictly defined) were rare. Examples of cordial oligopoly abounded. Toward war's end, Mitsui's share of coal production was 33 percent; Mitsubishi was 16 percent. In shipbuilding, Mitsubishi was 22 percent while Mitsui was 5.4 percent; and in ammonium sulphate, Sumitomo had 14 percent, Mitsui 13 percent. Much larger shares occurred in soda ash and dyestuff, with Mitsubishi and Mitsui respectively commanding more than half of each market (see Table 6).

As an illustration of what this means in more concrete terms, take the example of Mitsubishi. In 1944, Mitsubishi was estimated to have accounted for production shares ranging from 5 percent to 50 percent in a variety of industries. Just as important, it was a top player in insurance, trust management, and commercial banking, and had the second-largest trading company in Japan. To quote my own interpretation in 1948:

> A comparable business organization in the United States might be achieved if, for example, United States Steel, General Motors, Standard Oil of New York, Alcoa, Douglas Aircraft, E. I. duPont de Nemours, Sun Shipbuilding, Allis-Chalmers, Westinghouse Electric, American Telephone & Telegraph, R.C.A., I.B.M., U.S. Rubber, Sea Island Sugar, Dole Pineapple, United States Lines, Grace Lines, National City Bank, Metropolitan Life, The Woolworth Stores, and the Statler Hotels were to be combined into a single enterprise.[18]

TABLE 6.
Market shares in 1943–1944 (percentage of sales)

	Mitsui	*Mitsubishi*	*Sumitomo*
Coal	33	16	4.5
Ammonium sulphate	13	—	14
Soda ash	—	52	—
Dyestuffs	53	7	8
Nitric acid	16	—	26
Plate glass	—	62	38
Heavy electric equipment	25	16	—
Paper	81	3	—
Shipbuilding	5.4	22	—
Shipping	5.5	24.6	12

SOURCE: Eleanor Hadley, "Concentrated Business Power in Japan" (Ph.D. diss., Radcliffe College, 1949), appendix 1, pp. 373–379.

EXTENDING MY STAY AT SCAP

Because I had imagined that I would be able to get out to Tokyo in September or October 1945, I had applied for and had been awarded a fellowship from the American Association of University Women for the period September 1946 to June 1947 to pursue my dissertation writing at Radcliffe. In the circumstances, this would have meant departing in less than six months after I arrived in Japan. General Whitney wrote the AAUW to ask if they could postpone the fellowship for a year.

> I realize . . . that this request is most exceptional. Its sole justification rests on the high service which Miss Hadley is providing in the national interest. This service will be especially helpful in the near future when a number of the occupation's long-term institutional reforms in the economic sphere will meet the crucial test of practical application, and for this reason I venture to request that you grant extension of the fellowship until December 1947.
>
> General MacArthur I know joins me in grateful anticipation of your favorable action upon this matter, which, under the above circumstances, would be a distinct public service.

Wonderfully enough, the AAUW granted the extension and I was able to stay on as the *zaibatsu* dissolution effort began to achieve critical mass.

THE U.S. *ZAIBATSU* POLICY AND THE "YASUDA PLAN"

SCAP's plan for combine dissolution grew out of the "Yasuda Plan," a program agonizingly extracted as a "voluntary" proposal from the "big four" *zaibatsu* groups (Mitsui, Mitsubishi, Sumitomo, and Yasuda). Mitsui, Mitsubishi, and Sumitomo officials found it incomprehensible that the United States was calling for their demise. They believed the United States did not understand what had really happened: as they saw it, they had opposed the war, viewing the military as interfering with their business and as a rival to their own power. But—as seen by an outsider—given the proportion of strategic production that they controlled, could they have done anything but support the military effort in the end?

One thinks of our own industrial titan Henry Ford, who vehemently opposed the United States' participation in World War II, and in particular the use of his Willow Run plant for war production. He, too, was ultimately unsuccessful in distancing himself and his mammoth company from the U.S. engagement. But the comparison is flawed: whereas Ford's opposition to U.S. participation in World War II was utterly clear and quite individual, the *zaibatsu* could not be seen in the same light. If for no other reason, it is difficult to think of real opposition to the war on the part of the "big three," who actually doubled their position in the economy between 1941 and 1945, rising from 12 percent of the paid-in capital of Japanese corporations in 1941 to 24.5 percent by the end of hostilities. The experience of the fourth group, Yasuda, was a bit different: overwhelmingly centered in finance, Yasuda's position stayed essentially unchanged during World War II, changing from 1.3 percent of paid-in capital at the beginning to 1.6 percent at the end of the war.[19]

Yasuda's anomalous role in this postwar interaction had partly to do with personalities. In 1944 Yasuda Bank was headed by a former vice admiral, Daisuke Takei, who was also a standing director of the holding company, Yasuda Hozensha. Takei had earned a graduate degree in political science at Columbia University in 1919 and had some comprehension of American views toward concentrated business. Fluent in English, he had studied what the United States had called for in its zone of occupied Germany. He told Hajime Yasuda, the head of the Yasuda combine, that in his (Takei's) judgment there was nothing to do but accept the situation.[20]

MacArthur's official instructions from the Joint Chiefs of Staff were:

> Encouragement shall be given and favor shown to the development of organizations in labor, industry, and agriculture, organized on a democratic basis. Policies shall be favored which permit a wide distribution of income and of the ownership of the means of production and trade. Those forms of economic activity, organization, and leadership shall be favored that are deemed likely to strengthen the peaceful disposition of the Japanese people, and to make it difficult to command or direct economic activity in support of military ends.
>
> To this end it shall be the policy of the Supreme Commander:
>
> To prohibit the retention in or selection for places of importance in the economic field of individuals who do not direct future Japanese economic effort solely towards peaceful ends; and
>
> To favor a program for the dissolution of the large industrial and banking combinations which have exercised control of a great part of Japan's trade and industry.[21]

By September 22, the day when President Truman's summary of the Basic Directive was released to the press, there was no longer any possible ambiguity as to the deconcentration plans of the United States. Before that, the Japanese had been able to debate among themselves about this and that, and an individual's conclusion was a matter of analytic judgment or his level of understanding of spoken English. But after September 22 the Japanese had the information in black and white. As already described in Chapter 2, this revelation was what set the stage for the "big four" to finally come together (aided by overwhelming pressure from SCAP) in support of Yasuda's dissolution plan.

THE YASUDA PLAN

Under its plan, which, with caveats, MacArthur accepted in Scapin 244 on November 6, 1945, Yasuda proposed dissolving the top holding company and transferring its assets to a public body (this body would become the Holding Company Liquidation Commission), promising that the holding company would cease to exercise influence or control over any of its former subsidiaries or affiliated companies. The plan called for the resignation of all officers of the holding company and, in the case of family members, the resignation of positions anywhere in the economy. With respect to purchase of the stock shares transferred to the Holding Company Liquidation Commission, preference was to be given to former

employees. It was this plan to which the Mitsui, Iwasaki (Mitsubishi), and Sumitomo families had with great reluctance finally agreed.

Among political leaders, Shigeru Yoshida—a dominant figure in much of Japan's post-surrender history—believed that the United States had things the wrong way round in this matter of combine dissolution.[22] Yoshida was prime minister from May l946 to May 1947 and from October 1948 to December 1954. He argued that it was the older (and far bigger) business groups which were the true friends of the United States, so it made no sense for it to attempt to break them up. As this was a military occupation it was not possible for Yoshida to defy MacArthur directly. But delay was an option, and he used it again and again. For example, as noted earlier, in accepting the Yasuda Plan on November 6, 1945, MacArthur called for an antitrust statute to keep the economy deconcentrated. The legislation to implement this was not achieved until a year and a half later, and then it took an additional four months to get the commissioners of the administrative body selected and confirmed by the Diet.

Because MacArthur recognized that he was not a technician in corporate finance, he cabled Washington on November 4, 1945, for its approval before accepting the Yasuda Plan. This was a most unusual action, as MacArthur was not in the habit of seeking approval for any of his judgments on how to proceed. Washington replied on November 6, saying in effect that he should accept the plan but maintain freedom of action for possible subsequent measures. Washington asked if MacArthur would like a group of technicians to advise him on combine dissolution. He replied affirmatively, and so was born the State–War Mission on Japanese Combines headed by Corwin Edwards. (As previously mentioned, the Department of the Navy chose not to participate.)

In accepting the Yasuda Plan on November 6, the Supreme Commander informed the Japanese government that it would be expected to develop proposals for the elimination of other "private industrial, commercial, financial and agricultural" concentrations in the economy. He also ordered the government promptly to submit legislation that would "eliminate and prevent private monopoly and restraint of trade." As just mentioned, it was a year and a half before the government did so.

As already described (Chapter 2), I was not part of this group that was sent off to Japan to do this, although my participation might have been expected, as I had drafted the research paper on which the U.S. position on the *zaibatsu* was based. It was simply unthinkable that a

group made up of eight men could include one woman. Another anomaly was that the group included no representative of the banking community, as surely might have been expected, inasmuch as one key problem on which the group was invited to advise was the integral union of banking with industry and commerce.

THE REPORT OF THE STATE–WAR MISSION

Much as I felt disregarded at the time, after the Mission's report (the "Report of the State–War Mission on Japanese Combines") was eventually published I was not unhappy to have been excluded from the group that authored it. In my judgment the report was too severe. The Mission was so focused on eradicating concentrated business power that it at times lost sight of the importance of output.

The report was submitted to the two departments (State and War) after the Mission's return to Washington in March 1946. War then transmitted it to MacArthur for comment. While his reply (developed in the Economic and Scientific Section of the Headquarters) had many "concurs" in its language, his overall assessment was that it would require a staff far larger than the one available to him to execute it. MacArthur's comments on the report were received by State in May 1946.[23]

To give the flavor of the report I cite a few passages:

> 1. Objective: The overall objective of Occupation policy in dealing with excessive concentrations of economic power in Japan should be to destroy such concentrations as may now exist. . . .
>
> 2. Definition of . . . excessive power: . . . an excessive power should be defined as any private enterprise conducted for profit, or combination . . . which by reason of its relative size in any line or the cumulative power of its position in many lines, restricts competition . . . uncertainty as to whether any specified enterprise is covered . . . shall be resolved in favor of coverage. . . .
>
> 3. Excessive concentrations of economic power should immediately be dissolved into as many non-related units as possible. . . .
>
> 4. Policy with respect to excessive concentrations which are to be dissolved: . . .
>
> b. The units . . . should in case of nonfinancial enterprises . . . be divested of any securities which they may hold in other concerns. . . .

c. All officers . . . and directors . . . should surrender all offices and directorships except those in the company in which they are principally engaged. . . .
d. The operating units into which these excessive concentrations are dissolved should grant licenses on non-discriminatory terms to all applicants under patents they now hold. . . .

5. Treatment of Personnel in Excessive Concentrations: All individuals who have exercised controlling power . . . should be
a. divested of all corporate security holdings . . . ;
b. ejected from all positions of business or government responsibility;
c. forbidden from purchasing corporate security holding or from acquiring business or governmental responsibility at any time for the next ten years.

It was as if the commission had forgotten that MacArthur in reality was also responsible for national economic output!

The report did not become formally adopted by the United States until nearly fifteen months later, in May 1947, by which time it had been well overtaken by events. Illustrative of the problems that government secrecy can bring, the document was classified as a result of its status as "not yet official U.S. policy," which meant that as far as I knew no one at the working level of the Headquarters had seen the Edwards report or the recommendations. Certainly, I had not seen it. For better or worse, this assured that it had limited influence on the implementation of deconcentratrion policy as we were developing it on the ground.

The policies of the Mission read as if using the Japanese government as the instrument of policy presented no problem. MacArthur would announce what he wanted and, lo! It would be done. On November 6, 1945, MacArthur told the Japanese government that he wanted an antitrust statute. To emphasize once again what was explained earlier, it took him a year and a half to achieve the statute and another four months to gain the administrative body to make it workable. Japan was not in a position to defy MacArthur outright, but delay was an option used again and again.

Furthermore, the Mission's recommendations were written as if inflation were nonexistent. Granted, in the fifth to eighth month of the Occupation, inflation was not serious. But it had begun and would only get worse—until, in 1949, Truman lost patience with MacArthur and

sent Joe Dodge, the Detroit banker, to Tokyo to do something about it. Dodge arrived in Japan in February 1949, and through draconian measures he succeeded.

The Mission's recommendations, moreover, read as if there would be private resources unconnected to the *zaibatsu* for purchase of shares, or personnel to operate the recomposed companies. Neither condition existed. The Mission's report, accordingly, had a distinctly artificial quality about it.

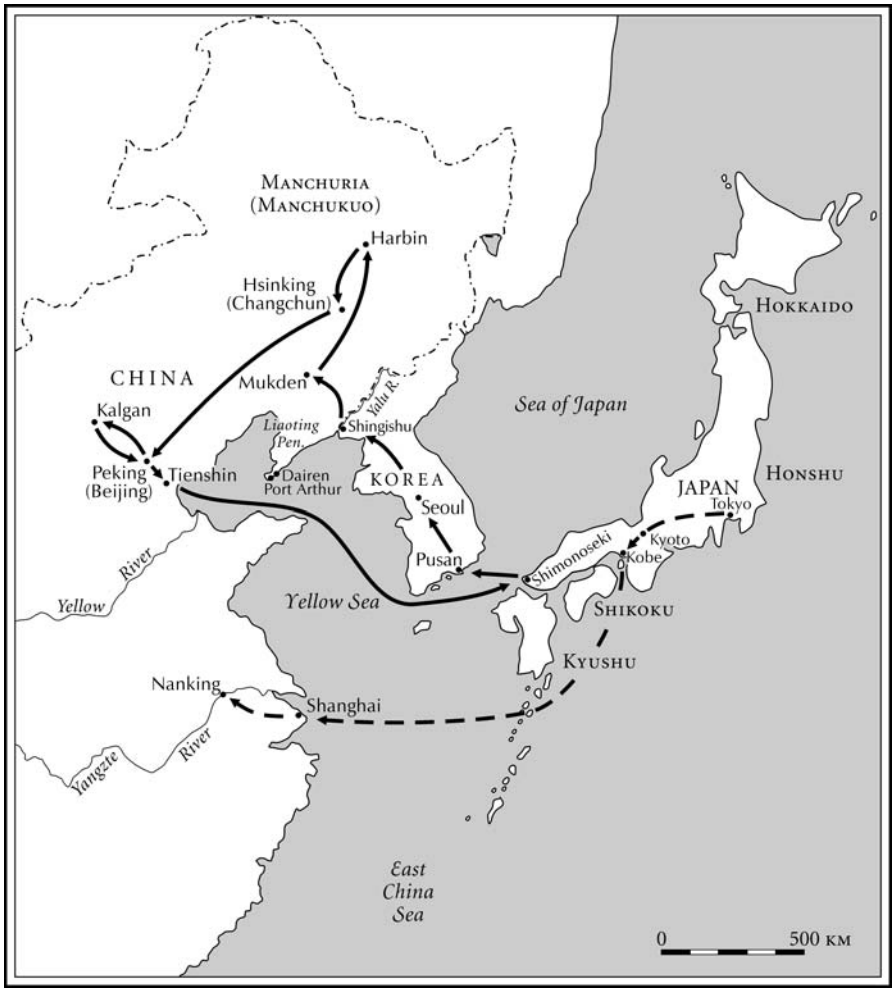
Inasmuch as MacArthur was certainly not going to do again what he had already accomplished, it is curious to me that the report, before transmittal to the Far Eastern Commission, was not modified to reflect the form of the measures already taken. In any event, the State Department transmitted it in "unexpurgated" form to the Far Eastern Commission, where it became FEC 230. MacArthur, though he had seen the document when it was submitted and may have treated it as a guide to the broad program for deconcentration, clearly did not feel bound by its specific proposals; in fact, what he called for in the program deviated considerably from them in a number of areas.

Ironically, while the classified report had only fragmentary impact on Occupation policy as it was being implemented, after Senator Knowland's unauthorized disclosure to the press some months later, it became the subject of much public attention and emotion. Indeed, it became a prime focus of the critics who ultimately succeeded in imposing a "reverse course" in MacArthur's Occupation reforms.

America–Japan Student Conference in Tokyo, 1936. *(top)* A group of friends gathered during the America–Japan Student Conference in Tokyo (EMH standing, third from left of the picture); *(lower left)* Hisako Fujiwara (Ikeuchi) at the left of the picture and Hisako's father at right. Mr. Fujiwara was very taken with EMH's outfit on this occasion; he urged Hisako to obtain something similarly "modern"; *(lower right)* EMH and Wes Adams (participant from Northwestern University) in downtown Tokyo.

Tokyo, 1939. *(top)* A ski trip with friends from the Japan–America Student Conference (EMH standing, second from left); *(lower left)* A boy carrying two *manju* (buns stuffed with sweet bean paste) on a Tokyo street. This and lower right photograph are among the snapshots EMH took when she was a camera enthusiast; *(lower right)* "The lawnmower," a woman cutting grass with a scissors in the public area of the Imperial Palace grounds.

Jiyu Gakuen, 1939. *(top)* EMH with Lady Craigie, wife of the British ambassador, on the latter's visit to the school with the Women's Club; *(middle)* Professor Sugimori (left, in white suit) and other dignitaries being shown the model of the school campus by Mrs. Hani (partly obscured at right); *(bottom)* A view of the entire campus, designed by Frank Lloyd Wright.



MAP OF TRAVELS ON THE ASIAN CONTINENT IN 1939.

Summer of 1939: Korea. *(top)* EMH's student from Jiyu Gakuen (left), her cousin (right), and Korean porter (in between) during a hiking trip in the Diamond Mountains; *(lower left)* A man being carried in a sedan chair through the Diamond Mountains; *(lower right)* The Throne Room in Seoul.

SUMMER OF 1939: PEKING. *(top)* "China's Navy"—The Summer Palace; *(middle)* Temple of Heaven; *(bottom)* An inscription over the main door of a Buddhist temple in Peking, with writing in four scripts (from left to right): Mongolian, Tibetan, Chinese, and Manchurian.

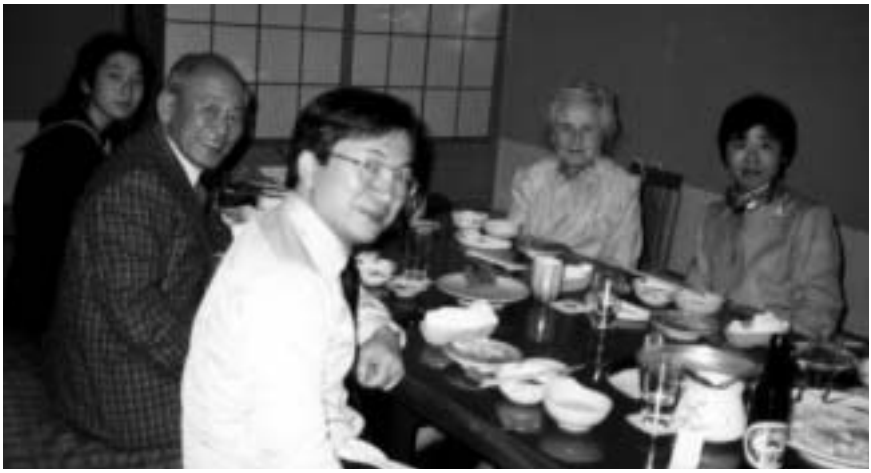
Summer of 1939: Peking. *(top)* "Exclude the British" banner on an arch; *(bottom)* "Down with Britain" banner on a train.

Summer of 1939: Travels to the north. *(top)* The cathedral in Harbin (no longer standing); Spring of 1940. *(bottom)* EMH in her silver fur wrap, shortly after returning from Japan.

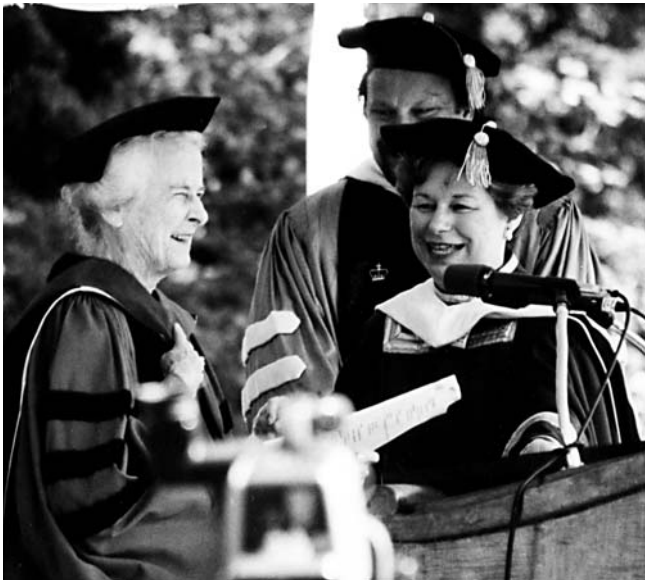
1946–1947: Occupation Staff. *(top)* Birthday party for Alfred Oppler. Left to right: Seymour Janow (Foreign Trade Division of ESS), EMH, Alfred Oppler (head of legal reform work in the Occupation, initially within GS, subsequently head of the Legal Division when that was created), and Cyrus Peake (of Columbia University, initially a special assistant to the chief of GS, later in the Government Powers Division of GS); *(bottom)* Left to right: Beate Sirota (Gordon), Alfred Oppler, Arthur Bisson (behind, at Oppler's left), a secretary (name unknown), and EMH. Behind Sirota is Justin Williams, who was in the GS working on relations with the Japanese Diet.

Smith College, 1950s. A portrait of EMH taken in the mid-1950s, around when she joined the Smith faculty.

Smith College. *(top)* Participants in a 1960 commencement panel at Smith College. From left to right: EMH, Ben Wright, president of Smith college, unknown person, Senator Mike Mansfield; *(bottom)* EMH and Charles Kades during a visit with Kades and his wife at their home in Heath, Massachusetts, sometime in the 1970s.

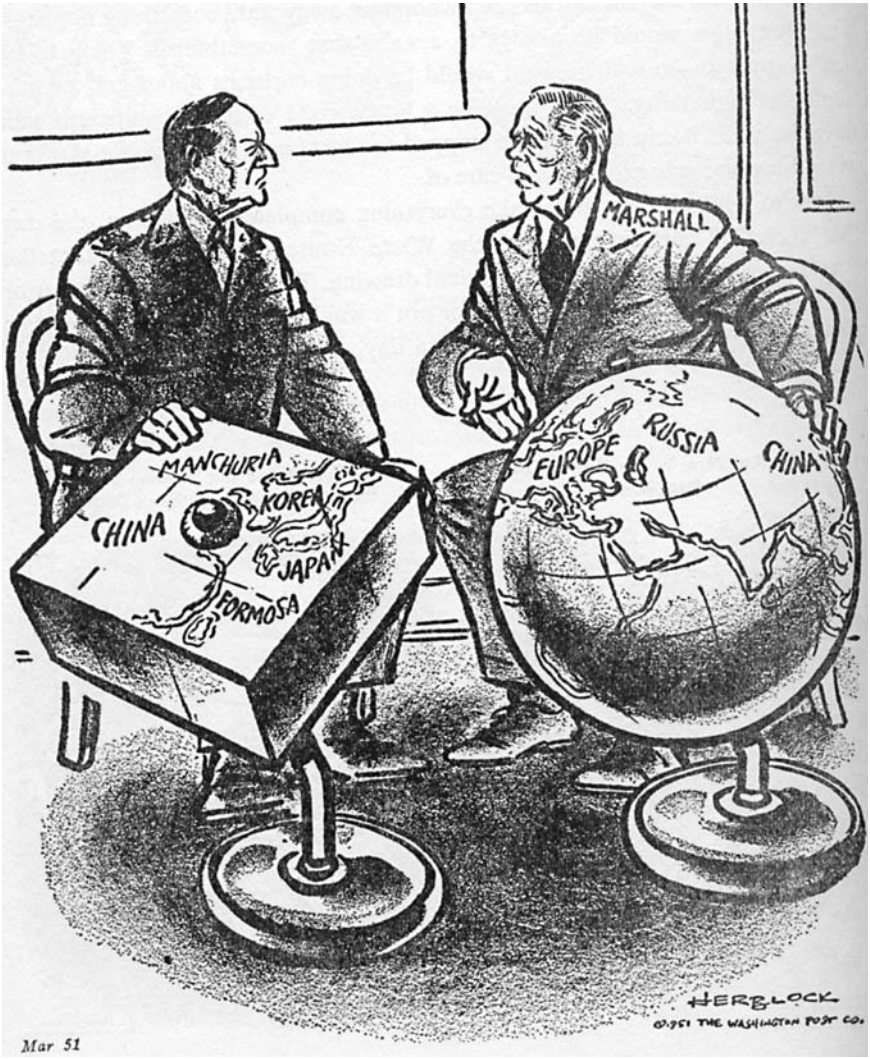


(top) Michiko Ariga wearing the Kun-nito Zuiho Sho, which she was awarded in 1985. According to those close to her, Ariga-san was particularly proud of this honor, one awarded to extremely few women at this time. The award recognized not only Ariga's contributions to the Japan Fair Trade Commission but also her service to the Executive Licensing Society (LES) and LES International, and her service at the Kokumin Seikatsu Center; *(bottom)* Kato-san with his family and EMH.



Tokyo, 1989. *(top)* A visit with Patricia Kuwayama to the "Memorial Room" on the sixth floor of the Daiichi Life Insurance Company building. This room was MacArthur's office during the Occupation but—like almost all her colleagues—EMH had never entered it; Mills College, 1998. *(bottom)* EMH being awarded an honorary Doctor of Laws degree by the president of Mills College.

At Home in Seattle. *(top)* Celebrating the one hundredth birthday of Margaret Floyd Hadley, Eleanor's mother, in 1989. At left is EMH's brother, Richard Homer Hadley; *(bottom)* Plaque at the Seattle side of the Homer M. Hadley Memorial Bridge. It reads: "This bridge is dedicated to Homer M. Hadley, pioneering engineer from Seattle, who proposed and designed the world's first concrete floating bridge in 1920. Persevering against skepticism and opposition, he saw the first of these bridges completed here in 1940." Photo: Mark Mason.



"We've Been Using More Of A Roundish One"

Herblock cartoon, in the *Washington Post*, March 1951.

January 2002. EMH and Patricia Kuwayama overlooking Puget Sound in Seattle.

Chapter Four

Deconcentration Continues

The deconcentration program was an economic program to change corporate structures, with the aim of reducing the overwhelming power of the combines. But, because family and personal ties were such a critical part of the *zaibatsu* combines' structure, it was recognized that a successful deconcentration also required a purge—that is, a program to remove key personnel who had been involved in constructing and running these organizations and who might be in a position to reconstruct them if left in place. In other words, a change of personnel was necessary if there were to be combine dissolution and not merely holding company dissolution. The two were not the same, as I had been arguing starting with my very first memorandum as a member of the General Headquarters staff—and as indeed had been clearly recognized by the Joint Chiefs of Staff instructions given to MacArthur.

Personnel links among the different *zaibatsu* took various forms. In the case of "key" subsidiaries, the holding company might appoint the entire board, or it might appoint the president and/or chairman of the board and have them appoint the rest of the board for its approval. In addition, there might be a written contract between the holding company and the key subsidiaries as to what topics could be discussed in board meetings without prior top holding company approval. It was understood that key subsidiaries were to borrow from the financial institutions of the group, not outside; that they were to sell through the trading company of the group, and so on. Under such arrangements, top holding companies were able to speak of key subsidiaries as "perfectly" under their control.

MacArthur had been ordered to remove those who had misled the people: that is to say, ultranationalists and active exponents of militant nationalism. The Basic Directive stated (paragraph 5b): "in no circumstances will persons be allowed to hold public office or any other positions of responsibility or influence in public *or important private enterprise* who have been active exponents of militant nationalism and aggression . . ." (italics added).

Under this authority the Government Section initiated a political purge on January 1, 1946, and it was far advanced by the time I became involved with the economic part of the purge. The Basic Directive was quite clear: it required MacArthur to carry out an economic purge as an integral part of the entire effort to democratize Japan. But a purge of key figures in the economy was the responsibility of the Economic and Scientific Section (ESS), and the ESS was evidently loath to act, probably out of a fear of what effect such action might have on national output.

All this changed when the Government Section had the creative idea of extending the political purge to the economic sector. Only a Charles Kades could have thought up this idea (although it was based on wording in the Basic Directive). In one stroke, it avoided the need to draft a whole new program and reargue basic principles behind (or against) the purge. And, most important at the time, it was a bureaucratic route by which the inaction of the ESS could be circumvented. In January 1947 it was announced that the political purge of January 1946 would be extended to the economy. "Public service" would be interpreted to include key positions in major corporations.

The Basic Directive was not felicitously phrased. It read:

> You will prohibit the retention in or selection for positions of important responsibility or influence in industry, finance, commerce or agriculture of all persons who have been active exponents of militant nationalism and aggressions . . . and of any who do not direct future Japanese effort solely toward peaceful ends. In the absence of evidence satisfactory to you, to the contrary, you will assume that any persons who have held key positions of high responsibility since 1937 [the year Japan began its military operations in China proper] in industry, finance, commerce or agriculture have been active exponents of militant nationalism and aggression.

In Japan the political and economic purges were carried out by category of positions held, not on an individual basis as was done in the

American zone of Germany. MacArthur saw no way of carrying out the Joint Chiefs' order on an individual basis. As is apparent, here as earlier, when it came to deconcentration measures, procedures were not long on individual rights. MacArthur believed there was no way he could accomplish what the Basic Directive asked of him if he observed the niceties of individual rights, as might have been expected at home in the United States. For me personally, this did not seem at all strange at the time. Believing so strongly in the effort to democratize Japan, I did not find myself troubled by the rather crude methods employed.

My colleague Art Bisson, a published author who had lived in Japan and China before the war, and I were asked to work on the implementation of the economic purge. Neither Bisson nor I had had anything to do with Kades' "creative" idea of getting the Government Section (GS) into the act in the first place. We were asked to name which companies, and which persons, should be covered after that basic decision had already been made. Key officers of "first-line" combine subsidiaries, which established the market breadth of the combines, were an easy first choice. But the question became, which other combine subsidiaries to include? For example, in one of the combines, there was a real-estate company, which on paper did not look that strong a candidate—until it was realized that political contributions from all parts of the combine to candidates or parties were made though this company, which the combine informally called its "research" unit.

When it came to the question of which positions—meaning which individuals—were to be covered, the issues were just as complex. Were all officers of these companies to be included, or only certain ones? Colonel Kades and Major Rizzo took over the decision in this area, finally settling on all standing directors and above, including standing auditors. (In Japan auditors were not outside examiners but senior staff on the company payroll.)

In the end, the result was that 1,535 corporate officers were purged from positions in the "same line of capital." This number included persons from institutions that were closed down (the Bank of Korea, Bank of Formosa, South Manchurian Railroad, and so forth) and officers of government-subsidized companies that were the product of special legislation (such as the Shipbuilders' Federation, Japan Iron and Steel Council, Japan Industrial Club). The heart of the economic purge was much narrower, removing 322 serving officers from 160 companies and banks in Japan: on average, just over two persons per com-

pany.[1] Later, another forty persons were purged under the *Zaibatsu* Appointees Law.

DAMAGE TO JAPAN'S ECONOMY?

There was fear in some parts of the Headquarters, as well as outside, that by pursuing this economic purge we were depriving Japan of its proven managerial talent, and that this would slow down recovery—which by 1947 was beginning to become a concern to the United States. We in Colonel Kades' group believed that such fears were exaggerated. After all, purgees (with the exception of *zaibatsu* family members who had already pledged to resign all positions anywhere in the economy as part of the Yasuda Plan) were not denied positions in the economy; they were only denied positions in their own "line of capital." For example, Junshiro Mandai, president of the Mitsui Bank, was purged by virtue of his position there, but the Sony Corporation—then a very small company and outside the Mitsui line of capital—asked him to become its president. He accepted, and his business talents and skills were thus put to use building a new, rising company.

This argument was a good example of how differences among the professionals on the staff—while nominally about "details" of how to implement policies handed down from on high—could become fairly heated, and even ideologically tinged. Corwin Edwards, who saw the plans for the economic purge after returning to Washington, wrote to me expressing concern that it was too far-reaching.[2] After I passed around his comments to my colleagues in GS, I wrote back to him saying, "Colonel Kades told me I should tell you that as a liberal he thought you capable of conception, but that apparently you are afraid of the pangs of birth."[3]

While there is no doubt that I was at least as upset by Edwards' comments as my superiors, the fact that I was the one of us who passed these comments back was the product of a personal connection: Corwin Edwards had been the adviser to State while my SWINCC paper on the *zaibatsu* was being developed. We thus knew one another. But the letter undoubtedly says something about me, too: my lack of bureaucratic caution, and a bluntness of style that helped to mark me in some people's minds as more radical and judgmental than I believed myself to be. My letter went on in even more undiplomatic mode, offering that "Frank

Rizzo's comment was that as a trustbuster it was to your interest to keep *zaibatsu* alive so as to maintain your professional opportunities."

THE DECONCENTRATION PROGRAM

In our rhetoric about the need to democratize the Japanese economy there were two points that made for endless confusion. First was that pronouncements usually cast the business community as protagonists in Japan's "program of aggression," as it was then called, so differently from the way those business leaders saw their own role. And second was that they described Japan's leading businesses as "monopolists." Were Japanese businessmen "internationalists"?

The first was perhaps more a matter of emphasis than of outright misstatement. Washington's description of the *zaibatsu* as collaborators in the Pacific War (as Japan called its portion of World War II) had primarily to do with Japan's stunted national market in consequence of its low wage policy. The argument among American officials was that the limitations of Japan's national market created strong incentives for territorial expansion. During the buildup toward the war one can easily imagine many situations in which big business had its differences with the government. But equally undeniable is that the voice of business was well represented in decision-making circles. In the so-called control associations for each industry, big business was dominant—and I dare say enjoyed its dominance. Where it undertook operations outside of Japan behind the military's forward positions, again I dare say it made profitable use of the opportunities. Minimally put, big business enjoyed being helpmate to the militarists. However, to what extent business people took leadership in Japan's "program of aggression" is, it is fair to admit, a different question, whose answer is less clear.

Calling big business "monopolist" was another thing that created confusion, but of a more analytical nature. "Monopoly," after all, is a technical term in economics that refers to the domination of supply by one producer. In the West, business power was built through achieving a monopoly or near monopoly position. In Japan, as we have seen, this was rare. In Japan, business power was achieved through combining oligopolistic positions in market after market, but these positions varied from strength to weakness across industries for each combine. For example, Mitsui was dominant in coal and Mitsubishi was domi-

nant in shipbuilding. The resultant situation was what I have already described as an extreme case of "cordial oligopoly."

In the United States we call our antimonopoly legislation "antitrust" legislation because trusts were the legal device employed to hold companies together in the late nineteenth century, when John D. Rockefeller achieved his top position in oil. He extracted rebates from the railroads not only on his own shipments but on those of his competitors as well! The term remains in use even though nowadays "trusts" are rarely the legal structure involved in U.S. antimonopoly cases. In Japan's case, the parallel to U.S. "antitrust" legislation was termed the "Anti-Monopoly Act" even though the situation addressed was rarely one of "monopoly" properly defined. The ambiguity has muddied the debate both in Japan and abroad.

American ignorance of the details of Japan's industrial structure was an additional factor that caused delay and confusion. I was absolutely astounded, however, to discover that knowledgeable Japanese knew little more than we ignorant Americans did of the corporate structure of the Japanese economy—which is to say, close to zero. The giant corporate networks had regarded most business matters as their own private affairs and had refused to disclose information. It was not until MacArthur's directives, seeking the specifics of how these corporate members related one to another, that the information became available in Japan. It was this task of ferreting out concrete information needed to implement any effective policy to promote competition in the industrial sector that I was most involved in as a member of MacArthur's staff.

As pointed out in Chapter 3 (see Table 3), it was a year and a half before MacArthur achieved antitrust legislation for Japan. Such legislation was the responsibility of the Economic and Scientific Section's Antitrust and Cartels Division within SCAP. It was not until Lester Salwin—an antitrust attorney from Washington, D.C.—joined the staff that things began to happen. In late 1946 activity began, and in early 1947 I was made the Government Section's representative to ESS and to the Japanese government on this legislation.

In 1947 the Japanese government remained as opposed to this legislation as it had been in 1945 and 1946. Salwin, however, hammered out antitrust principles. For the first time I had a working ally in the ESS who believed as strongly as I did in the need to replace the stranglehold of the existing combines with economic and legal structures that would require competition in industrial markets and allow democracy to gain a foothold in Japan.[4] On legal and court issues, I of course consulted a

representative from the Government Section's Legal Division. The "Law Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade" was promulgated by the Diet on April 12, 1947. It called for the creation of the Fair Trade Commission, which took another four months to become operational.

JAPANESE REACTIONS

While prime ministers disparaged the efforts to reduce concentration in the industrial sector of the country, many Japanese economists and members of the general public hailed them. I received numerous letters from the public saying "Keep it up." In addition to expressing sympathy with the goal of democratizing Japan's economy, some of these were also responses to seeing a woman pushing for economic change, which needless to say was unusual in Japan of 1946. I was not directly involved in the GHQ's efforts on behalf of women's rights in Japan. Others were, of course; in particular, Ethel Weed, who worked tirelessly and with considerable effect to help Japanese women gain their rights in the postwar democracy.[5] But I remember on at least one occasion being visited by representatives of Japanese women's groups who "thanked" me for providing an example of female participation in government.

To the Japanese government and business leaders, however, I was primarily a headache. It was not until after the Occupation ended that I learned the extent of the problem I had presented to them. I was known as "the mysterious Miss Hadley—daytime of the GHQ, night-time of the Ph.D. dissertation"—since it was no secret that I was gathering materials in my spare time for an intended doctoral dissertation on prewar *zaibatsu* history. I made a few trips outside Tokyo to the Mitsui archives, and was treated with the utmost courtesy and helpfulness. I remember telling a Japanese journalist many years later that I had felt no uneasiness about traveling like this on my own; he commented that it was probably the Mitsui people who were uneasy, having little idea what use might be made of this "individual research" I was doing on them!

Given the "chess game" that was being played between the Occupation authorities on the one hand and the Japanese business and government leaders on the other, the *zaibatsu* were anxious to know as much as possible about the internal workings of the GHQ. The maids of top officials (those with rank of general) were invaluable in this respect, and no doubt every plan and project was conveyed to the Japanese side. At

GHQ offices one was constantly aware of the visits paid by all manner of representatives of Japanese business.[6] They endeavored to learn the personal characteristics of all important personnel and tailored their approaches accordingly. Invitations to luncheon and geisha parties were a favored tool—with information no doubt flowing more freely with the aid of sake at these occasions. Japanese government officials, too, found geisha parties a not ineffective way of persuading Occupation persons to modify their positions.

But what to do with a female professional person?—not high enough in the hierarchy to have a personal maid, not interested in geisha, nor likely to have found a suitable Japanese man—whose only known social activity among Japanese was to enjoy an occasional concert on her own? Illustrative of corporate confusion in how to deal with a woman was an encounter I had with Sumitomo officials just a few weeks before my departure from the Headquarters. No doubt hoping that it would make me more "understanding" in my treatment of Sumitomo, they brought me a copy of the Rules of the House of Sumitomo, which I was exceedingly eager to have for my planned doctoral dissertation at Radcliffe, and a bouquet of a dozen red roses.

It does seem that impressions of my role became somewhat exaggerated among the Japanese. As one example, Yoshihiko Morozumi once wrote, in describing his experience as a Ministry of Commerce and Industry official "translating" the antimonopoly policy, that it had been "the direct order of Eleanor Hadley at GHQ" that the Fair Trade Commission's chairman should be a government official whose appointment was confirmed by the emperor.[7] This was a rather fundamental position and would have been widely vetted among GHQ officials (although in this case with little disagreement); I may have conveyed it on behalf of Colonel Kades, but certainly not as my personal "order."[8]

There were also some Japanese who offered helpful information out of their own belief in aspects of what the Occupation was trying to accomplish. One of these was Hisashi Fujisawa, a director of the Mitsui Trading Company who had been passed over for promotion to director of the top holding company in the group on grounds, not of performance, but of "insufficient loyalty to the House." It was from Fujisawa that I gained a full appreciation of how important personal ties were in the *zaibatsu* oligopoly structures, and a reinforcement of my understanding that putting pressure on the holding companies alone would not suffice to diminish their power. This man was the one who made me realize the important role that a so-called real-estate company could play within

one of the combines. Without his information, it is very likely that this innocuous-looking (on paper) entity would not have been included in the economic purge.

CHANGING VIEWS OF OCCUPATION ANTITRUST REFORM

Notwithstanding the agonies of its birth, the Fair Trade Commission (FTC)—the administrative body of Japan's antimonopoly law—celebrated its fiftieth anniversary in 1997. Fifty years ago, government by commission was novel to Japanese thinking. But, given the antipathy to antitrust measures, it was thought that the best chance of success lay outside a regular ministry. Following the law's passage Lester Salwin and I appeared on a program in Tokyo. The program was organized by representatives of big business, including banks, to comment on the act and on the provisions in our Sherman-Clayton Acts. This resulted in a fair amount of publicity.

With the advantage of hindsight, it is easy to see that the FTC did take root in Japan and grow, although it has never attained the independence or influence of its U.S. counterpart. This was one case where experience in occupied Germany was helpful to the desired result: Germany's Anti-Cartel Office, early on, provided valuable support to the commission. The Japanese FTC eventually achieved such stature that it was a major influence on how Korea constructed its antimonopoly unit (although a contrasting interpretation could be that Korea chose this model because of its low profile).

As someone whose name was strongly associated with this whole effort, I found myself achieving some surprising sorts of publicity. In the spring of 1952, I learned I had been mentioned in a roundtable discussion in *Kaizo* magazine, a prominent journal of political and economic opinion. The roundtable included Mr. Noda, the former chairman of the Holding Company Liquidation Commission, and Mr. Tsuchiya, an editorial writer for the *Asahi Shimbun*. The following are excerpts:

> *Noda:* SCAP's dissolution of the *zaibatsu,* which was based on the recommendation by Corwin Edwards [chair of the State–War Mission on Japanese Combines], was carried out very strictly. However, fundamental principles such as on economic democratization and the dissolution of the *zaibatsu* were instructed by Washington, while the Supreme Commander was vested with the power to put the instruction into prac-

> tice entirely at his discretion. That is to say, the dissolution was carried out on the basis of Col. Kramer's own ideas in his capacity as the chief of the Economic and Scientific Section of SCAP combined with the opinion of Government Section. It, therefore, follows that the executive officials' interpretation of the occupation policies and of the instructions from Washington had much to do with the carrying out of the *zaibatsu* dissolution. In other words, the personal factors of the executive officials account for an important part of the way the dissolution was conducted. In a like manner, personal factors are reflected in the enforcement of the Antitrust Law and the Economic Deconcentration Law.
>
> *Tsuchiya:* That is true in the first stage of dissolution.
>
> *Noda:* Col. Kramer and Mr. Mac Henderson in the initial stage of the dissolution, who are businessmen and men of understanding, would not have carried out the dissolution so sternly as their successor, Mr. Welsh, did or was planning to do. Mr. Welsh's idea was supported and further prompted by Miss Hadley of the Government Section of SCAP. You know the opinion of the Government Section had an important influence on the enactment of the Japanese Antitrust Law, on the directives of the *zaibatsu* dissolution, and on various other legislation, and the opinions of Government Section were for the most part based on Miss Hadley's recommendation. Miss Hadley is a zealous student of *zaibatsu* problems. She had read most of the books on Japanese *zaibatsu* [which were few and poor]. She had made an extensive survey of *zaibatsu*, she herself paying visits to the Mitsui and Mitsubishi head offices. Her attitude toward Japanese *zaibatsu* was stern or almost cruel, and there was a wide divergence in views between her and me. She was a very beautiful girl of thirty-three or thirty-four years old.

Needless to say, my own view of my role in this matter was far from this picture of a "stern" and "cruel" "zealot." I had participated in the State, War, Navy drafting of the Basic Directive. (Mr. Noda had not.) At this early point in my career, I thought an "order" was an order. It did not occur to me to question what the Joint Chiefs of Staff had "ordered" MacArthur to do; my job was rather to assist in implementing the policymakers' intent as well as I was able. Of course, my role was no doubt made easier by the fact that I personally agreed with the policy—but in no way did I perceive myself to be making policy for the United States.

Later history, of course, has provided some persuasive evidence that the worries about ruining Japan's business capability were overdrawn: the Japanese economy grew about 10 percent on average in real terms from 1953 to 1973, the year of the first oil crisis.[9] No economy had ever

achieved such sustained performance. Figures like these demonstrate that the United States had not damaged the Japanese economy.

But Prime Minister Shigeru Yoshida, writing in his *Memoirs* in 1960, saw the matter differently. Singling out Art Bisson and me from the many SCAP staff persons involved, Mr. Yoshida wrote:

> The GHQ plan for extending the purge to Japan's financial world was also of a most comprehensive nature. Had it been enforced to the letter, it would have played havoc with our national economy, which was perhaps not surprising when we consider the extent to which, as I have explained, GHQ held our financial leaders responsible for the war, and how that view was supported outside General MacArthur's headquarters by the Soviet Union and certain other Allied Powers. It seems that two persons within GHQ had played particularly important roles in the drafting of the purge plan, a Mr. Thomas Arthur Bisson who had been in Japan before and was an enthusiastic New Dealer with advanced views on democratizing our financial world, and a Miss Eleanor M. Hadley. Miss Hadley had also been in Japan before the war and was known for her researches into our financial concerns. She had taken a particular interest in the relationship between big business and the war and, as a result, acquired a rooted conviction that it was necessary for the successful democratization of Japan to systematically disintegrate the larger commercial groups, by which she did not mean only the *zaibatsu* concerns such as Mitsui and Mitsubishi, but all others where she considered too much capital had been accumulated, or the products of which enjoyed too great a share of the market. She had apparently written books on the subject since her return to the United States and continued to disseminate her views in the form of articles and lectures.[10]

Mr. Yoshida, of course, knew that the views I was expressing were those of the U.S. Joint Chiefs of Staff, but he found it much more effective to focus on me personally. It is also true that, as a result of my work on the *zaibatsu* in the State Department, combined with my experiences in Japan in 1938–1940, I deeply believed that the Japanese economy, as it had been, was flawed. Wealth was distributed in a most lopsided manner; the poverty of the countryside, especially, was appalling.

COPING WITH INFLATION

Inflation was the scourge of the Occupation. It played havoc with plan after plan. One significant element, whose importance was hard to realize

until one came face-to-face with the realities of a postwar economy in abject defeat, was the handling of the unused war budget and supplies. MacArthur had issued an order, while still in the Philippines, to prohibit the disbursement of unused funds or material, but it was disregarded. In the two-week period between surrender on August 15, 1945, and MacArthur's arrival August 30, Japan dissipated a significant portion of the unspent military budget. It poured millions of yen into the prostrate economy by paying back wages to the military and paying insurance claims. Almost all Japanese businesses had insurance claims against the government, inasmuch as the wartime government had insured business from virtually every type of damage. This amount of money, poured into an economy that was paralyzed with uncertainty and short of civilian goods, was bound to produce inflation, and it did.

One question that we debated at the time was: did the Japanese government possibly do all this deliberately to produce inflation and thus disrupt the Occupation, or was it simply part of the grand confusion of surrender? It seemed to some of us that the government, having been able to manage the wartime economy with controlled inflation, could have controlled the postwar outcome as well. But of course war and postwar were two entirely different scenes in economic terms: the wartime economy did have the ability to generate output in response to demand —albeit "output" of a negative kind for most nonmilitary citizens. The supply side of the economy was in no similar position to rise to the occasion in 1945. In retrospect, it seems a much exaggerated attribution of rationality and discipline to think that the officials—amid all the confusion of the immediate postwar period—would or could have pulled off such a feat by their own plan. That we debated the question at all may be a reflection of how daunting it felt—utterly unlike our counterparts in Germany—to be asked to carry out such an ambitious overhaul of a country whose language most of us scarcely knew, and thus to be forced to operate through little-understood processes of the Japanese government.

Serious inflation, which began after surrender, accelerated to the point that Truman finally lost patience with MacArthur on the subject and in 1949 sent out as his special representative Joseph Dodge, the Detroit banker. Dodge ended government deficit financing. He closed the Reconstruction Finance Bank, which had been the major source of credit during the early Occupation years, and which was funded by bonds purchased by the Bank of Japan (as the country's central bank).

Dodge also established a single exchange rate of 360 yen per U.S. dollar. And regardless of the pain inflicted, he insisted upon ending all subsidies.

Dodge was much given to lecturing the Japanese on the approaches to be taken. He insisted that Japan could get nowhere if it did not structure matters so as to welcome foreign capital. Japan believed otherwise, and in fact did not admit foreign capital except on very stringent terms until after 1964, when it obliged itself to liberalize as a condition of joining the Organization for Economic Cooperation and Development (OECD).[11]

For the sake of his reputation and place in history, as Theodore Cohen has pointed out, Mr. Dodge was fortunate to have worked with an exceedingly able finance minister, Seihin Ikeda.[12] And, even more, he was lucky to have had the Korean War break out in June of 1950, providing a "natural" means of revitalizing the economy. For Japan the Korean War was truly a "divine wind" *(kamikaze),* a key and fortuitous event for revitalizing the Japanese economy.

Dodge visited Japan again in late l951 and was still full of advice. He declared that Japan was "suffering from a plague of false legends, which include some dangerous delusions." For example: "That granting progressively larger amounts of commercial bank credit for capital purposes can be substituted for the normal processes of capital accumulation, without creating current credit shortages and the possibility of later difficulties. . . . That large amounts of foreign investment capital can be attracted to Japan under circumstances which do not offer political and financial stability."[13] Yet these "delusions"—and many more—were an integral part of the recipe that produced Japan's unprecedented high growth in the 1953–1973 years.

A Canadian journalist, Andrew Horvat, once asked me how I thought Japan had achieved its high growth. I replied, "by not taking our advice." Not only did the Japanese have the courage to let monetary stimulus play its role in boosting business onto a higher growth path, they saw the potential for transforming and modernizing the economy in qualitative terms as well. While our advice was all geared toward helping the economy put itself back into the prewar confines of textiles and light industry, Japan's Ministry of International Trade and Industry (MITI) officials thought in terms of architecting a future based on steel (even though Japan lacks iron ore and anthracite coal), shipbuilding, and other first-world industries. We believed in no role for government, while Japan believed in indicative planning wherein the government

would "indicate" prospective areas for investment by extending easier terms of credit and the like.

REVERSING COURSE

After a period of operating virtually unchallenged, MacArthur was put on the defensive by a changing political background at home in late 1947. It was the blowup over the Economic Deconcentration Law of December 1947 that changed things. Interestingly, the law that generated all this shock and criticism was precisely parallel to legislation on the same subject in Germany enacted less than a year earlier with no political uproar at all. The difference in reception between Germany and Japan could no doubt be explained by the shifts in public opinion in the preceding twelve-month period. As is clear from the December 1947 date in the deconcentration law's title, eight months had elapsed from the passage of Japan's Anti-Monopoly Law in April 1947 before the legislative program was completed with the deconcentration statute.[14] Another difference that no doubt influenced the diverse reception of the two efforts was the fact that changes in Germany affected only the U.S. occupied zone in the country; changes in Japan, in contrast, affected the entire economy. And, in Germany there was understanding among some officials of the benefits of competition policy, whereas to Japanese officials competition seemed always to mean "excessive competition."

The distinction between the Antimonopoly Law and the Deconcentration Law lay in the fact that the latter provided explicitly for corporate reorganization. Under the earlier antimonopoly legislation the government could only issue "cease and desist" orders against violations or—in an extreme case—call for liquidation (which was never done). The Antimonopoly Law thus provided for actions against specified behavior but made no explicit provision for remedies in the form of corporate breakup; the Deconcentration Law, in contrast, seemed to breathe them.

In evaluating the Deconcentration Law, it is important to understand that it took effect, not in a smoothly running, established economy, but at a time when almost all major Japanese corporations were already undergoing reorganization because of insolvency or near insolvency following the cancellation of war debts by the Japanese government. The law's contribution, in essence, was to add to existing criteria for how

companies might be reorganized. Also worth keeping in mind is that part of its aim was to permit the many companies that had been forced into mergers during wartime to resume independent operation.

Passage of the Deconcentration Law in December 1947 brought policy differences to a head and out into the open. Arguments that until then had been between the Army and State Departments, and between different staff sections at Headquarters, now became public. American businessmen were allowed to enter Japan starting in August 1947, and they were frequently shocked at what they found. In order to criticize effectively one needs facts, and now our businessmen could get them. Regarding change in Japan as no different from change in the United States, they failed to understand that in effecting fundamental changes in a brief time period one cannot move incrementally while fully protecting property rights. After all, it was these very property rights we were trying to change, in that everything we did was intended to create a more equitable distribution of Japan's wealth and national product in order to provide the economic basis for democracy.

The opening shot fired in the public battle was the release by *Newsweek* magazine, in its December 1, 1947 issue, of portions of a report that James Lee Kauffman was writing on a supposedly confidential basis for the army. The article attacked not only the whole range of economic reform measures—land reform, the capital levy tax, war debt cancellation, the labor laws, and *zaibatsu* dissolution measures—but also the very idea of reform itself, which Kauffman argued would make Japan a less attractive place for American investment.[15]

Certain American business groups, operating through an organization known as Overseas Consultants, Inc., which had done an industrial survey in Japan for the army, worked together with like-minded persons in the government such as General Draper, undersecretary of the army, and Senator Knowland, the Republican senator from California, in mounting their opposition. Senator Knowland opened the congressional debate on December 19, 1947, with the words:

> Although I am in complete accord with the policy of breaking up cartels and trusts in both Germany and Japan, I believe FEC 230 and other policies being followed in Japan go far beyond this. . . . If some of the doctrine set forth in FEC 230 had been proposed by the government of the U.S.S.R. or even by the labor government of Great Britain, I could have understood it. As a statement of policy being urged by the

> Government of the United States, I find a number of the proposals so shocking that I have today written a letter to the Secretary of State. . . .[16]

Senator Knowland's criticism centered on the Edwards Mission Report, FEC 230, which he had obtained on December 15, 1947, and the Deconcentration Law that had just been passed to implement its recommendations. Much of it was based on a highly inaccurate description of the law's contents and the actions it engendered. As I commented in *Antitrust in Japan,* in Senator Knowland's believing the Deconcentration Law to be near-Communist, and the Japanese Communist party attacking it as a nefarious instrument for inducing foreign capital, one had a "rather striking example of the limitations of emotion as a tool of social analysis."[17]

THE DECONCENTRATION REVIEW BOARD

I had favored enactment of the Deconcentration Law with little question, as what it did was put the program back to what the Joint Chiefs had originally called for in the Basic Directive. But the issue now concerned implementation—that is, breaking up giant companies into parts. MacArthur, to protect himself from the storm of criticism he faced, proposed creating a five-member Deconcentration Review Board (DRB), made up of outstanding American businessmen, to review and advise on the effects of the proposed changes on "the operating efficiency of the enterprise as reflected in the domestic economy."[18] In doing so, MacArthur laid out carefully described limits on what the DRB's role and functions should be, and set high and specific standards for who should be on it. However, only one of the five men appointed to the DRB can be found in the *Who's Who* or *Who Was Who* volumes for 1943–1948. And MacArthur's careful stipulations as to its mandate came to nothing. The board's report, after repeating MacArthur's instructions back to him, completely disregarded those instructions: not one of its recommendations was based on the effects of the reorganization plan on efficiency. Instead, the DRB proceeded in an entirely different direction—essentially, to undo what MacArthur had earlier achieved.

In the Japanese version of the Deconcentration Law, in contrast to the German case, provisional designation was by category: industrial companies, services and distribution, insurance and banking. HCLC and SCAP working together came up with 257 industrials and, a short time

later, 68 services and distribution companies. Behind MacArthur's decision to use "categories" rather than argue each case separately lay his judgment that he could not get through his assignment in the allotted time using the latter method. Again, this reflects the difference between a zone and the whole of the economy.

From the initial review of industrial and service-sector companies that had been made by GHQ-SCAP and the Japanese HCLC (Holding Company Liquidation Commission), the number of potentially covered companies was 325, which was clearly too many.[19] The review board whittled the list down to 11, with 8 other companies required to make minor changes. Banking was removed from consideration entirely.

A CHANGE IN PRIORITIES

Naturally, the U.S. government did not want to come out and say that our earlier diagnosis of the problem had been flawed. We chose more palatable phrasing: it was in terms of the burden on American taxpayers. Japan was told that American taxpayers demanded revitalization of the economy—that Americans could no longer continue to subsidize Japan with food and certain industrial raw materials. This was the conclusion articulated by the secretary of war on a ten-day mission to Japan.

Upon examination, it was a somewhat odd explanation for the policy change. It is estimated that the United States spent $100 billion fighting and winning the Pacific War. How is it that $194 million in American aid for the fifteen months from the start of the Occupation to December 1946, and $404 million for calendar 1947, became so burdensome when it was aimed toward securing the peace? Germany—a Marshall Plan country, which Japan was not—received $1 billion in fiscal 1949 and $3.5 billion in fiscal 1950.[20] But this money was spent to fight the spread of communism in Europe. In contrast, Japan's aid from the United States was to fight disease and unrest. Japan had assumed the cost of the Occupation, with the exception of salaries and food for Occupation personnel and limited emergency shipments of food from the United States.

By 1947 the U.S. government was beginning to be anxious about the spread of communism in Asia. Hence the shift in its policy toward Japan from treating Japan as the ex-enemy to treating Japan as partner. Chiang Kai-shek was not winning against Mao's communists: it would be 1949 before Mao's victory, but the handwriting was on the wall. In this period we saw communism as monolithic, failing to realize that the Soviet Union

did not bring about the 1949 communist victory in China.[21] We now needed a revitalized Japan for our security interests in the Pacific.

In a sense this development undermined the logic of the whole Pacific War. We had not fought the Japanese because of their divine emperor and undemocratic procedures at home; we fought them because of Japanese expansionism in China and elsewhere in Asia. Now, the Department of the Army decided that greater attention had to be given to the security interests of the United States vis-à-vis the USSR, and that, instead of putting our energies into trying to build a more democratic Japan, we should be focusing on how to build up Japan as a foil against the USSR. We needed to reverse our priorities.

Treating a country as an ex-enemy and treating it as a partner call for quite different policies. In the former case, the aim was to prevent future Japanese aggression; in the latter, the idea was to help Japan get on its feet and prosper. We became focused on Japan joining with us against threats from the Soviet Union. At Headquarters, staff working on recovery enjoyed greater and greater prestige. Presently the staff found reform measures interfering with the effort to build up the Japanese economy; and so was born the "reverse course." In my view, needless to say, this was a mistake, a betrayal of our original purpose: in the midst of fundamental social change it is good to stay the course, not to lose interest in it a few years down the road.

When I left Japan in the fall of 1947 to resume my Ph.D. work in Cambridge, it appeared that we were on the way to staying the course. But within a short period I became discouraged, as reflected in the review of Occupation antitrust reforms that I published in the following year in the *Harvard Business Review*.[22] By then it was apparent that opponents of deconcentration reform were making headway in the United States: indeed, by early the following year they would succeed in having the American policy document on this matter withdrawn. (This was the paper called "Excessive Concentrations of Economic Power in Japan" providing the policy recommendations based on the Edwards Mission's report, which as already described had finally been submitted to the Far Eastern Commission as FEC-230 in May 1947 and was the basis for the Deconcentration Law passed by the Japanese Diet, after six months of intense SCAP pressure, on December 10, 1947.) FEC 230 was formally withdrawn on March 12, 1948. As I noted in the *Harvard Business Review* article, the criticism had already influenced MacArthur, whose "weakening interest in the combine-dissolution program" led him to propose substantial modifications over the months before.[23]

My arguments for believing this reverse course to be a serious mistake were both economic and political. I thought it obvious that a more open and competitive economy would enhance Japan's long-term development (although admitting that this might not be true in the short term) and would also offer opportunities to our own businesses. I wrote:

> One would have anticipated that American businessmen would have welcomed a program which extended the rules of their game to an area which had never observed them. . . . In the past, Japan's combines were tough, unfair competitors—unfair, that is, according to our rules of the game. Abolishing the combines would make it easier for American businessmen rather than harder [by forcing them to pay better wages and assuring that] individual Japanese businesses would have to stand on their own feet in competing with foreign businesses rather than being able to rely for advantage on some more remunerative part of a combine.[24]

But the political reasons were clearly dominant at the time—a time when none of us, reformers and businessmen alike, viewed the economic opportunities in Japan to be all that great. My main argument was that combine dissolution was critical to enabling "a democratized Japan to be important to American leadership of the Anti-Soviet Bloc."[25] As I developed this argument:

> Change in the political structure of a country is not a simple matter to effect. It is not achieved by the substitution of a new constitution for an old one, because to mean anything a constitution must reflect the political beliefs of the dominant groups of a nation. To effect political change, one must proceed to destroy or modify existing power groups and to be midwife to new ones. . . . It was because the great business combines were, as a group, one of the architects of Japan's irresponsible government [including its pursuit of war] that Washington decreed MacArthur into the trust-busting business.[26]

To be sure, there were limitations of the program that troubled me. One was the difficulty of selling securities from dissolved combines: where was widespread public ownership to come from in an impoverished economy where the stock exchanges were not yet open, and whose investment environment had been made all the more uncertain by spiraling inflation (inflation that, I noted, the Japanese government had "done more to aggravate than to control")? The possibility of foreign (that is,

American) investors playing a role, while it was broached in October 1947 by one SCAP official, was not seriously entertained. It was prohibited by SCAP at the time, and those of us promoting reforms would not have wished to change this policy of MacArthur's because of the possible accusation that the United States "had thereby acquired political control of Japan." Interestingly, when I discussed this issue with Japanese, I was surprised to find how few business leaders saw it as a problem. Most welcomed the prospect of large-scale investment by American capital.[27] Apparently, few of their American counterparts viewed it as much of an opportunity.

Another reservation I had was the lack of any provision for economic planning, which in the past had been largely accomplished by means of the great combines. I was skeptical about the Japanese Economic Stabilization Board, which MacArthur had set up with a two-year lease on life. In this, I underestimated the inventiveness of Japanese officials—or, at least, its application to constructive purposes. (I had evinced ample appreciation of their ability to invent means of thwarting deconcentration.) The Economic Stabilization Board was later succeeded by the Economic Planning Agency, which in concert with the Ministry of International Trade and Industry proved remarkably effective in developing a brand of "indicative planning" suited to the Japanese economy of the 1950s and 1960s.

The *Harvard Business Review* article received a substantial amount of attention and even got referred to in *Fortune* magazine. On rereading it today, I must say that I am struck by its combative tone, which I would hardly recognize as my own but which doubtless reflects the quality of the debate that many of us were engaged in at that time.

One of the more considered responses I received was from G. C. Allen, a leading U.K. authority on the Japanese economy.[28] Professor Allen wrote me a letter, in which he said that he agreed with much of my analysis but departed from me on deconcentration policy based on his more pessimistic view of the "political possibilities." Saying he was "not confident" that the future Japanese state would be controlled by democratically elected governments, he feared that smashing the *zaibatsu* would pave the way for resurgent militarists, who would thus be handed "a free rein in moulding the economy of the country." In other words, in the absence of a "powerful rival group," he thought the militarists might be handed, through Allied policy, what they had failed to achieve in war:

> Where you have a non-democratic country, which shows so little sympathy with, or understanding of, democratic processes, then it is an advantage to their neighbors that power in that country shall be divided among rival groups. And, on the whole, the group that their neighbors should favor is that which aims at financial, commercial, and industrial rather than at territorial expansion.
>
> Further, the mere fact that the *Zaibatsu* found it advantageous to exercise some of their power, and to pursue some of their aims, through a Parliament is not without significance. If Parliamentary institutions are kept in existence, then a means is permitted for the gradual evolution of representative forms of government. But if you destroy the only powerful group which chose to use Parliament, then when the occupation forces withdraw and Japan is free to develop her own political life, leadership will remain, at first, with the bureaucracy (to which Parliament is a nuisance) and ultimately perhaps with resurgent military groups.

Underlying Allen's pessimism about Japan's political future, of course, was a profound pessimism about the possibility of the country's economic recovery. He agreed with me that the attempt to reform the *zaibatsu* could delay economic recovery in Japan, but felt that I underestimated "the unfortunate political consequences of prolonged impoverishment and despair." In thinking back on the arguments of that time, it is useful to remember that his image of "impoverishment and despair" was a far more common perception of Japan's future, among foreigners as well as Japanese, than any possibility of growth and progress. Indeed, even a recovery to Japan's prewar standard of living was considered a distant goal. In hindsight, neither I nor Professor Allen was prescient.[29]

Most of the interest in my article, unfortunately, was generated by what was becoming an ever more heated ideological debate within the United States over the New Deal legacy, a debate that became intertwined with the emergent anti-Communist hysteria. Eugene Dooman (mentioned at the beginning of Chapter 3), who by now had retired from the State Department, personally endeavored to persuade the editors of the *Harvard Business Review* not to publish my article on the grounds that it was pro-Communist and undermining of the U.S. effort to build up Japan (i.e., our friends, the *zaibatsu*) as a bastion against the Soviet threat. I, perhaps naively, had no inkling at the time that this ideological debate might become a major influence on my personal fate once I completed my academic studies and sought to resume my career in public service.

As to the direction taken by the Occupation, history would of course prove my misgivings to be well founded. After a series of incidents in Korea in which MacArthur had seemingly disobeyed instructions, President Truman was sufficiently fed up with MacArthur to fire him, on April 11, 1951. To the Japanese, this was close to unbelievable. General Matthew Ridgeway took over.

General Ridgeway informed the Japanese a few weeks later, on the fourth anniversary of the coming into effect of the new constitution, that they could "review actions taken, existing ordinances issued in implementation of directions from this headquarters for the purpose of evolving through established procedures such modifications as past experience and the present situation render necessary and desirable."[30] There was no slowness about acting on this suggestion.

Chapter Five

The United States in the 1950s and Beyond

My next few years were black ones. On returning from the Occupation in September 1947 I went back to Harvard University in Cambridge, where I finished the Ph.D. in June 1949. I had three job offers: a teaching position in the Economics Department at Mount Holyoke College, a staff position at the Council on Foreign Relations in New York, and an offer at the newly created Central Intelligence Agency (CIA) to work with my former immediate boss from the SCAP Headquarters, Rod Hussey. Rod Hussey was liberal in his political thinking. He wrote, on April 29, 1949:

> Dear Eleanor:
>
> It has occurred to me that when you finish your work at Harvard you might be interested in working for the government, in connection with the Far East. If you are, would you drop me a line at apartment #504, 1750 Harvard Street, N.W. I feel very sure that there is a place for you in this work.
>
> Very cordially yours,
> Alfred R. Hussey

Being newly created, the CIA had not yet developed a reputation. I chose it. Perhaps I was influenced by the heady experience of having been part of the Occupation experiment, which had given me a sense of what government service could accomplish. At any rate, I found this new enterprise more exciting than the other two choices which, in retrospect, might appear to have been more prestigious—and certainly safer.

At my parents' home in Seattle, I waited and waited to hear when I was to begin, but the mail brought no letter. Finally, in the fall, I went to Washington to see if I could discover what was holding things up. On November 2 the CIA wrote to assure me that my papers were being processed, and that my "continued interest and patience" were appreciated. On November 9, a CIA spokesperson with whom I had the interview, Walter Phortzeimer, told me the "problem" was simply that the job had been abolished; they had neglected to inform me of this. He assured me that there was no security difficulty with me, it was simply that the job had been canceled. This seemed implausible, but I was willing to give it temporary credit.

After I had been turned down by several other offices in Washington, it was apparent that the CIA spokesperson had misrepresented the situation and that I was in fact considered a security risk to the United States government. But it was a neat, clean, professional operation from the agency's point of view, done in a way to leave little possibility for an applicant to protest that she had been treated unfairly. It would be seventeen years before I again held a top-secret security clearance from the U.S. government. With the exception of a staff position on a presidential commission in 1950, I would not be employed in the Executive Branch of the U.S. government during this time. These were difficult years.

My critics had surely done a job on me. To have avoided this fate I should have returned to the United States in 1947 with a letter of commendation from MacArthur in my pocket. At least, that is what Ed Welsh told me he did. Welsh had been chief of the Antitrust and Cartels Division in the Economics and Science Section of GHQ-SCAP in 1947. In that position, he was personally responsible for demanding the breakup of the Mitsui Trading and Mitsubishi Trading Companies, with no more than two officers from each of the two trading giants allowed to remain in any successor company. This was bolder than anything I had ever thought of or proposed: indeed, it was the most drastic action of the entire deconcentration program.

When I arrived back in Washington in the fall of 1949, almost everyone I knew reported that the FBI had interviewed him or her about me. I began to hear about a package I had taken to Japan in the spring of 1946. I did remember that I had taken a package: ostensibly, it had consisted of a German collapsible umbrella, scarce in those days, and been given me by the wife of the person to whom I was to deliver it. Her hus-

band was in the section of the Headquarters where I was going. The wife was in the Foreign Economic Administration (FEA), a rival intelligence agency to the Office of Strategic Services (OSS).

The wife had claimed that her husband had asthma and had much outside-observer work to do, and that the mails were slow and unreliable. Since I did not know her personally and packages for someone else are a bother, I at first turned her down. But she again visited me in my State Department office and asked me to reconsider. One of the officers in the FEA, Bowen Smith, whom I knew slightly from interdepartmental meetings, and who had been the one to set up the interview in the first place, urged me to take it. I finally said yes. It is to be noted that the husband, Philip Keeney, had just been freshly security "cleared," for all persons going to the theater had to have a fresh security clearance, as did I. Since the wife was in FEA, she likewise held a security clearance. To be faulted for poor judgment in these circumstances is to say I should have known more than the entire FBI.

Upon reaching the Government Section in Tokyo in April 1946, I learned that the intended recipient of the package, Philip Keeney, had been transferred out of the section. I began asking all around if any one knew where he had been reassigned. I could not find anyone who knew, but I did learn where he was billeted. Accordingly, I took the package to that hotel and handed it to the desk clerk, saying it was for Mr. Keeney. What was in the package? I never found out. It never occurred to me to open a package from a wife to her husband. Was it a German collapsible umbrella? Was it Communist material?—for the Keeneys turned out to be real live Communists, not the imaginary McCarthy variety. They left New York for the USSR on the last ship in those years making that run.

Unless one has experienced what it is to have one's name sullied, it is perhaps difficult to understand why it was so important to me to clear my name. In any event, wisely or unwisely, that is what I attempted to do.[1] Even my brother, Richard, got involved at one point, enlisting the support of his Masonic brothers to help me obtain an interview with the head of the FBI, J. Edgar Hoover. I did manage to see a senior deputy as the result of my brother's efforts. I was asked detailed questions about "the package": the color of the wrapping paper, the type of string with which it was tied. But nothing resulted from the interview. Rod Hussey, for whom I had worked in Tokyo and whom I had been hired to work under at the CIA, had been instructed not to speak to me. Erwin Griswold,

a friend who for many years was dean of Harvard Law School, said I should get a lawyer. I did, from Arnold and Porter, but to no avail. Philip Perlman, a friend and former solicitor general of the United States, tried to help me but was unsuccessful.

I tried every approach to get the matter settled. In 1950, I took my problem to my two senators from Washington, Senators Magnuson and Jackson. Because Warren Magnuson was the senior senator, I thought it would be better to focus on him. But after talking with the CIA it appears "Maggie" was persuaded I did not have a problem, so he lost interest. At that point I did not go back to "Scoop" (the nickname by which Senator Jackson was widely known). My congressman, Hugh Mitchell, was wonderful but did not have the necessary clout.

I went to see Dean Rusk, under whom I had studied at Mills College, in his office at the State Department. Rusk was then serving as assistant secretary of state for Far Eastern Affairs. He asked me if I thought MacArthur would support me. After reflecting a moment, I said, "Yes." Rusk told me he would get in touch with MacArthur, and that I should come back in a few days. When I returned he told me their youngest child had taken her first steps. In that awful McCarthy period, this avoidance of the subject was enough to make it clear to me that Rusk had decided it was unduly risky to have his name associated with mine, and would not get involved after all.

The climate in Washington was hardly conducive to trust: the Cold War had already broken out, and Senator Joseph McCarthy was not far behind. Justice and fairness were forgotten qualities in that setting. People were afraid to stick their necks out for a friend; most asked no further questions once they learned one was "under a cloud." I look back with deepest gratitude to two friends in particular who stood by me during that miserable period: Muriel Ferris, formerly executive director of the National League of Women Voters, who became one of Michigan senator Hart's legislative aides; and Alzora Hale Eldridge and her family. They were godsends.

No one among my FBI-interviewee friends mentioned any FBI interest in my antimonopoly work, but this, of course, is what I had been working on while in the State Department and on MacArthur's staff. In Japan I had been working on economic deconcentration, antitrust legislation, and the economic purge. This was in accordance with the Basic Directive from the Joint Chief of Staffs to MacArthur, but it was not in accordance with the thinking of General Willoughby, MacArthur's chief of G-2.

The son of a Prussian baron, whose emigration to the United States at age eighteen and subsequent adoption of American citizenship (and his English mother's name) had done nothing to change his preference for natural aristocracy over democratic notions, Willoughby had no use for antitrust or anything related to it. Accordingly, he regarded anyone in that field as being of doubtful security. Michael Schaller has written of Willoughby:

> A German-born immigrant with pretensions of noble birth, Willoughby brought a Prussian demeanor and extremely right-wing views to his intelligence post. MacArthur hit the mark when he once called his aide, "my lovable fascist." Willoughby saw Communist and Jewish conspiracies at home, abroad, and especially, in SCAP's ranks. His Counter Intelligence Chiefs (CIC) spied on Americans and cultivated former members of Japan's secret police and armed forces.[2]

I had met Willoughby personally on one occasion during the Occupation, at a dinner party where we were seated diagonally opposite one another. General Willoughby was observing how much space the Government Section occupied in the telephone directory of SCAP Headquarters. Rising to the defense of my boss, General Whitney, I observed, "Your own section, General, is not doing too badly!" (For the record, in the September 1946 Headquarters directory the Government Section had one page; G2 (Willoughby's section) had eight and a half pages. In the July 1947 directory GS had one and a half pages; G2, five.) I do not know if my incautious remark had any influence on General Willoughby's future attitude toward me, but it can not have done me any good in his eyes.

In 1952, I received a major ray of enlightenment about what was going on from one of my Japanese friends, Takashi Kato. Kato and I knew each other from the America–Japan Student Conference of 1936, and we still exchange holiday greetings every year. He sent me a letter in January 1952 suggesting that my efforts to clear my name were of interest to MacArthur's G-2 (Intelligence and Counter Intelligence) Section. Kato-san was an official with Nippon Chisso Hiryo, a major nitrogenous fertilizer company. He and I had not seen much of each other during my Occupation stint—he considered it inadvisable to meet except at official occasions, and I of course was under instructions not to "fraternize"—but we continued to think of each other as friends. The letter, dated

January 29, 1952, which Kato-san wrote from memory of the interview earlier that day, is as follows:

> Dear Miss Hadley:
>
> This afternoon I was called on by a Mr. William Czerny and a Nisei or Nisei-like Japanese. The purpose of their visit seemed to be gathering as much information as possible concerning you while you were here. And I am rushing to dispatch this letter, giving what we have talked about.
>
> Czerny: Do you think she is effective?
>
> Kato: What do you mean by "effective"?
>
> C: Well, capable?
>
> K: Yes, I should say she is capable, but rather as a scholar. I don't know her capacity regarding other fields. I don't know if she is a capable manager. Maybe so; maybe not.
>
> C: Will you please tell me your relationship to Miss Hadley?
>
> K: It was in 1937 or 1936 [in fact, it was 1936] when I met her for the first time, when she came to this country as a member of the students' delegation. Later our relationship discontinued until I saw her again in 1947. Then, she was working in the Government Section, and because of the nature of her job concerning the dissolution of the Japanese *Zaibatsu* organization she requested our company to submit information regarding how the top management was organized, whether or not the company received subsidies from the state, and so forth. Do you want to see those documents?
>
> C: Oh, no. Is your company a *Zaibatsu*? I have no knowledge of your company.
>
> K: This company was designated a holding company.
>
> C: What was the responsibility of the holding company?
>
> K: As the holding company, it had over thirty subsidiary companies. The Hungman Plant, North Korea, was making ammonium sulfate, which was also produced at Minamata in Kyushu.
>
> C: Do you think she was effective in the Government Section?
>
> K: I don't know. You had better ask those who were working in the Government Section.
>
> C: Yes, but so far as you know. . . . What about her political ideology?
>
> K: I have never talked about such matter [*sic*] with her.

C: Did you not study politics?

K: No, I studied economics.

C: Didn't you notice, however, what kind of ideology she had?

K: Well, she seemed to be a New Dealer.

C: *(Smiles.)* How many times did you see her while she was here?

K: Four or five times, perhaps. When we met for the first time after the end of the war, we recognized each other [*sic*] that we had been friends some ten years before. But as she was a government official, I thought it would be better for her not to see me for purposes other than business.

C: Do you know how she was handling the *Zaibatsu* information you gave her?

K: When she was here?

C: Yes.

K: I don't know; I guess, however, that she was collecting such kind of information for her thesis to get a doctor's degree, besides as the additional help to her job in the Government Section. But I don't know how she was acting inside GHQ.

C: Was her thesis published?

K: I don't know. . . . Oh, no. It doesn't seem that it has ever been published. I remember she referred to that as "unpublished thesis" in her later article in the *Far Eastern Survey.*

C: Do you think she is a detrimental person to Japan?

K: Why?

C: She was working for dissolution of the *Zaibatsu* organization, and she played a vital role for it. I don't know whether she did or not, but if she had . . .

K: That question seems queer. She was merely working under the fundamental policy of the dissolution of *Zaibatsu* of the Allied Powers, just as Mr. Welsh of Antitrust and Cartels Division. If she had played a vital role in that, she was faithfully performing McArthur's policy.

C: Do you think she could be justified?

K: Yes, of course. She should be justified.

C: But as she was a capable person, didn't she give effects for destroying the Japanese economy?

K: I don't understand what the point of your question is.

C: Was she liked by the Japanese?

K: I don't know.

C: Do you think she was kind to the Japanese?

K: Well . . . *(Determinedly)* Yes. I know a friend of mine who got a position in one of the GHQ departments in the NYK Building through her good offices.

C: Do you like her to return to Japan?

K: Again, you embarrass me. In what sense? What for?

C: For instance, will you hire her if there is a need of hiring a person with similar career to hers?

K: This is a Japanese corporation, and there should be many points to be considered to hire a foreigner.

C: Then, do you think she can be a good friend of yours?

K: Yes.

C: Do you think her action of destroying *Zaibatsu* helped Japan or destroyed her for her independence?

K: GHQ's action?

C: Yes.

K: Japan is what you see now. However, that is a very controversial point. I have my opinion, but as you seem to place the stress on her, I might say that she was working in the belief that the destruction of the huge *Zaibatsu* organization will help Japan build a democratic economy.

C: Is your opinion different on the *Zaibatsu* issue?

K: Yes . . . probably. I haven't discussed through [thoroughly?] with her in this regard. But seeing from her manuscript of the thesis of her doctor's degree and her later article, my opinion is different.

C: And yet she can be your good friend?

K: Of course. One's method of thinking or philosophy cannot be a detrimental factor to one's friendship. And actually she has often enlightened opinions.

C: Do you know Mr. Kuga?

K: Kuga?

C: Kugai.

K: Yes. I met him twice.

C: Only twice?

K: Yes, I received Miss Hadley's manuscript through him when he came to me for the first time and I return the MS to him to send it back to her. So, two times.

C: Where is he?

K: I don't know. He was then in a bookstore. I don't remember the name of that bookstore.

Nisei: Iwanami?

K: No.

C: Don't you have his address?

K: No. I only had his telephone number.

C: Do you still have his telephone number?

K: It's three years ago, and I just wrote in some desk book at that time, and so . . .

C: Did Mr. Kugai return the manuscript to her?

K: He didn't, or at least Miss Hadley didn't get it back. She wrote me some months later to that effect, and I sent her a copy of my comments only.

C: So, you know her through correspondence.

K: Yes.

C: That seems all I want to ask you. One more question: Can you give me a name of that friend of yours who a got a position in the NYK Building?

K: Mrs. Yokoyama.

C: Is she still there?

K: I don't know.

C: I would like to hear from as many people as possible in Japan for her.

K: Then, you will visit her husband Mr. Yokoyama who is now at the Bank of Tokyo, Head Office, at the back corner of the Mitsui Building, Nihonbashi.

C: Thank you very much. Can you give me your business card?

K: Certainly. (I gave him one in English.) He gave me his card with his name only.

C: Will you please write your name in Kanji?

K: Yes. (I did.)

C: Did you hear from her recently?

K: Yes, she is now in Washington, D.C.

C: We only know that she is applying for a position in the Government.

K: *(Nods.)*

Above is what our conversation was like, but it was not exactly in the same order as above, as I have just written according to my memory.

This morning Mr. Bando [another student conference friend] came to my office to tell me that a CID [Counter Intelligence] man

had visited him and asked several questions about you. They were similar to my case, except one which Czerny did not ask me. That is: "Did she give spiritual or physical support to you or other Japanese?" . . . Mr. Bando will also write you. I am wondering why you are investigated, especially regarding your activities during the initial occupation days. There can be no connection with non-American [un-American] activities. Did anybody accuse you? Were you aware of this investigation? Did I reply anything which may give ill effects to you? If so, please do tell immediately.

So much for this time.

Sincerely,
T. Kato

Kato-san's letter has several interesting features. According to Mr. Czerny's line of questioning, the deconcentration program is not that of the Joint Chiefs of Staff contained in their Basic Directive to MacArthur, but mine. A medium-grade staff person is certainly an easier target to demolish than the JCS. In the more fanciful versions of my antitrust work, I, a P-3 in the Department of State at the time I worked on this matter, was deemed responsible for the economic deconcentration provision in the Joint Chiefs of Staff's Basic Directive representing three different departments of the government, and having achieved that, was said to have come out to Japan to make sure it was adequately carried out! When one is pursuing possible Communist influence in the government of the United States, imagination has no limits. To anyone with knowledge of how the U.S. government makes policy, this is imagination at its most extreme, but to the Counter Intelligence Unit of G-2 in Tokyo it was not all that fanciful; nor, seemingly, to FBI agents in Washington.

For the record, the United States government takes policy positions based on debate among the superiors of relevant staff persons. Sometimes this is simple to do using the organization table of the department or agency; sometimes there is fierce argument as to who should be represented. In the case of policy for Japan, it was, as we have seen, the product of three departments—State, War, Navy—and later the Air Force. There were several layers to SWINCC, the top consisting of assistant secretaries. A lowly staff person does not make U.S. policy. Certainly not I, who served on the bottom layer of SWINCC. True, I did the basic research on which U.S. policy toward the *zaibatsu* was founded. True, I came out to Japan to participate in the administration of this policy. But

a P-3 (the position I held in the State Department at the relevant time) does not make policy. One's superiors do that. And in this case, it was the assistant secretaries of three departments.

For an agent like Czerny in 1952, the test of an American's security worthiness was whether one was a friend of Japan. His reasoning went: "How could she be a person of U.S. security worthiness if she is weakening Japan?" The article of faith that the deconcentration program would weaken Japan was the product of General Willoughby's beliefs, those of the Mitsui, of the Iwasakis (Mitsubishi), of Kichizaemon Sumitomo, and of the leadership of the Liberal Democratic Party (LDP). Since we now enjoy the luxury of hindsight, however, it is clear that the historical record shows the contrary (see Chapter 4). Between 1953 and 1973, the year of the first oil crisis, the Japanese economy grew in real terms on average about 10 percent per annum. It was the first country ever to achieve such sustained rapid growth.

For the record on a personal level, I did in fact help a Japanese couple in need. Even though one was not supposed to give army food to the Japanese, I did just that, in the case of student conference friends, after the birth of their second child. The mother had lost her milk and the father came to me to ask for milk to keep his child alive. Naturally I gave it to him.

A JAPANESE "ANGLE" TO THE CASE AGAINST ME

It was two full years after I had received this letter from Mr. Kato that I had an opportunity to visit socially with Hisashi Fujisawa, who had been the Mitsui Combine's representative to the Headquarters during the early part of the Occupation and an important source of knowledge and insight for me at the time. From him I learned that General Willoughby's vendetta against me had received some direct encouragement from former *zaibatsu* officials, men who evidently had found me a peculiarly frustrating obstacle in their efforts to influence U.S. policy in their favor. I wrote about this in a memorandum that I sent in February 1954 to Roger Jones, a friend who was then assistant to the director of the Bureau of the Budget. Roger Jones was most sympathetic to my plight, although ultimately unable to help; he had asked me whether I knew of "anyone who might be interested in getting rid of" me. The following is what I replied:

February 9, 1954

To: Roger W. Jones
From: Eleanor M. Hadley

1. The weekend of January 30, Hisashi Fujisawa, formerly a director of the Mitsui Trading Company and the Mitsui Combine's representative to the Headquarters during the early part of the Occupation, was in Washington. He is in the U.S. on one of his annual visits as Japan representative of the Wilber-Ellis Company. I decided to take advantage of a social visit to see what I could learn of Tokyo opponents in line with the question you put to me in December.

2. Mr. Fujisawa told me that the Japanese had found it was possible to influence American policy with respect to the deconcentration program by extending favors to the key staff persons shaping and administering this policy. By providing geisha to the key persons in the Antitrust and Cartels Section (one head of that section, for example, was provided with the top-ranking geisha of Tokyo), they were able to bend and shape American policy.

3. As a woman active in the Government Section on the basic policy of this program, I presented something [of] a problem to them. Geisha were obviously unsuitable. Money was decided upon and Mr. Fujisawa was given unrestricted funds to see what he could [do] with me. He said he never offered me any money because it was apparent I would have refused and would only have been made angry by the offer.

4. Mr. Fujisawa said that the Mitsui and Sumitomo combines especially disliked me. I gather Mr. Matsumoto, head of the Mitsui Coal Co. (which was up for reorganization in 1946–47) is one of my special opponents. In the Sumitomo combine, I surmised it was officers of the top holding company who especially wished to see me out.

5. A clue on the story that I was asked to leave the Headquarters. It was in July 1950, when I was granted an interview by the security officer of ECA, that I first learned that there was a question regarding the circumstances of my departure from Tokyo in September 1947. The security officer implied that I had been asked to leave. The fact is that I stayed on an extra 9 months beyond my original contract as a result of a special request by General Whitney to the Am. Assoc. of University Women asking

"in the national interest" that they permit me to postpone for a year a fellowship for doctoral work that I held from them.

Inadvertently through a confusion of Noda's,[3] Mr. Fujisawa told me that it was Noda, of the Holding Company Liquidation Commission (who was not especially keen to liquidate) who originated and spread the story that I was asked to leave the Headquarters because of the radicalness of my views.

6. Mr. Fujisawa told me that among the top business circles in Tokyo, I am described as a left-wing socialist, a follower of Mosaburo Suzuki. These same circles regard Shigeto Tsuru (who from being the fair-haired boy of the Occupation and on the SCAP staff is now, in the eyes of security officers, one of the most dangerous persons with whom one might have associated) as a right-wing socialist.[4] And, irrelevantly, these circles say that Senator Knowland's China position is the result of his receiving 5% on all U.S. aid granted Formosa.

The association of my name with that of Suzuki is a bold stroke of imagination, for the few remarks I ever made on him were to criticize the doctrinaire and superficial quality of his combine studies (for example, his *Nihon Dokusen Shihonshugi no Tenbo* [A description of Japan's monopoly capitalism]; *Nihon Zaibatsu Ron* [Theory of Japan's combines]; *Nihon Dokusen Shihon no Tembo* [An analysis of Japan's monopoly capitalism].

7. The conversation with Fujisawa (in particular the Noda story on my departure in 1947) underscores the question you put to me in December of who might wish to see me eliminated, and demonstrates that there is more than one way to skin a cat. If geisha could not be used on me, if I was impervious to bribes, then "eliminate" me by outright falsehoods, distortion and exaggerations of my political views which, in the circumstances, centered on the combines. In this regard it is noteworthy that when I went out to Japan I had been working on American policy toward Japan's combines for 18 months, and no question whatsoever was raised with respect to my loyalty-security standing. I was told by a top-ranking officer of the State Department in 1950 that my file in the State Department contained no information of questionable character about me.

8. If it should turn out that my security troubles of the last four years have stemmed from certain Japanese business interests who were unable to bribe me, it would explain how the question-

ing of the FBI, counter-intelligence and other sources about me has so persistently centered on the combines; that deconcentration was *my* policy, not MacArthur's!

9. I would ask, in making whatever use of this information that you may wish, that Mr. Fujisawa's name not be mentioned.

EMPLOYMENT AT THE WHITE HOUSE AND "ON THE HILL"

In the first instance, the questioning of my security worthiness upset me badly. No one with a hiring "slot" wanted to try me. There was too much risk that I would be turned down, and that in the delay the agency might lose its slot.

After I made several fruitless efforts to gain executive branch employment, a friend from GHQ-SCAP Headquarters told me he personally knew the executive director of President Truman's Commission on Migratory Labor, Varden Fuller of the University of California, and would recommend me for a position. Mr. Fuller offered me a job, and I accepted. But I felt in fairness to him I needed to tell him of my difficulties, which I subsequently learned caused him a rather sleepless night. The White House was not bound by standard executive branch procedures, and finally I was in a paying job—and an economics-related one, no matter how far removed from my area of expertise.

Hurtful as it was to have been found unfit for service in the "regular" executive branch, working as a staff member of the Commission on Migratory Labor proved to be a good experience. The leadership of the commission was comprised of superior persons and the job introduced me to labor conditions among migratory agricultural workers. Perhaps the most astonishing finding was that requirements for transporting animals were higher than those for transporting human beings. At the end of the year's duration of the commission, I was asked to close it down: in other words, to determine what was to be sent to Archives. This too was an interesting experience.

Toward the end of the commission's life, I received a call from the legislative assistant of Senator Hubert Humphrey, Max Kampelman, asking if I would care to be the staff person handling the hearings on migratory workers, which the senator's subcommittee of the Labor and Public Welfare Committee was going to hold. I said I would be glad to do so, and this proved to be my introduction to the legislative branch of

our government, unbound by executive branch security regulations. As it turned out, I found my year on the Hill (as one calls the Congress in Washington) to be another valuable learning experience. The legislative branch is a different world from the executive branch, and this was my first direct exposure to it. But the job had a time limit: at the end of the Humphrey hearings, Max Kampelman explained that my services would no longer be needed. The new Eisenhower administration (taking over after the election of 1952) was not interested in doing more work on migratory workers, my area of expertise.

This created the need to put on yet another "hat"—an operation that one learns to do with remarkable speed in such circumstances. Wonderfully enough, the National Consumers League for Fair Labor Standards, headed at the working level by Elizabeth Magee—"lobbyist for the underprivileged" as Senator Paul Douglas described her—believed it might be advantageous for the league to have a Washington office and that there was enough money to hire someone there for six months. Would I consider it? Indeed I would.

At the end of those six months, I found another position with the professional social workers, who had decided they should have a Washington office. Decision on someone to head it at the working level lay between a professional social worker and a "first cousin," so to speak—an economist. Initially the organization was the American Association of Social Workers, which a year or so later became the National Association of Social Workers. Fortunately, they decided on a person with Washington experience, even if an economist. I followed legislation of interest to social workers, frequently testifying before committees of the House or the Senate on their behalf.

SMITH COLLEGE

In the spring of l956, after seven years of working on the fringes of Washington bureaucracy as permitted by my lack of "security" fitness, I received a call from the chair of the Smith College economics department, Dorothy Bacon, asking if I would be interested in a year's appointment as a visiting faculty to the economics department. She was going on sabbatical and there was a need for someone to carry her courses. And so began what became nine years of my life at Smith College. I was there from 1956 to 1965, including my two years as a Fulbright researcher in

Tokyo, where I sought to determine whether the Occupation antitrust policies had taken root in Japan and what, if any, impact they were still having in the 1960s.

In 1958, Ben Wright, the president of Smith College, asked me to become dean of the college's class of 1962. In a system dating from the World War I era, the college each year asked a faculty member to become academic adviser to an entering class. As dean, one participated on the Board of Admissions in selecting the students, and then became their academic adviser for the next four years. The class of 1962 began with 645 students and graduated 476.

Being academic adviser to the class of 1962 left me with a strong impression of how easily the young can change their minds. "I wish to become a history major," then, a month later, "I've decided to become an English major," followed by a few more changes. By junior year, of course, everything had settled down. In 1965 the college changed its mind and decided to limit the role of the class dean to the first two years, with the department chairs taking over the advisory role for the junior and senior years. Under the old system, one was given a reduced teaching load—from three courses to two each semester—and a semester off for all the inroads on one's time. For the academic year 1960 to 1961, I was also president of the faculty club, which moved into its new quarters on the shores of Paradise Pond.

Smith College women are to be found everywhere. Flying into Katmandu from New Delhi in the fall of 1962 en route to Japan, I was startled to have a young woman come up to my seat on the plane and hesitantly inquire if I were from Smith College and, on being assured I was, ask if I were Miss Hadley. She was not of the class of 1962 but, having seen the class deans arrayed up front on numerous assembly occasions, she recognized me.

Smith College is a wonderful institution and it was a privilege to be associated with it. In its idyllic western Massachusetts setting on the shores of Paradise Pond, it has rigorously trained a large number of America's leading women. Its archival collection documents the contributions of outstanding women from around the world. In contrast to Radcliffe's archival Schlesinger Library of outstanding American women, Smith's is international. Indeed, I recall Shidzue Kato—a postwar Diet member who was known as "the Margaret Sanger of Japan"—being a bit annoyed on learning that her book was in the Smith Library in a new version, having been reissued, without her having been consulted, under its original English title *Facing Two Ways*.

BACK TO TOKYO

I was fortunate in 1962, the class of l962 having been graduated, to be awarded a Japan Fulbright Research Fellowship. Try as I might I simply had been unable to make any progress on my manuscript—which subsequently became *Antitrust in Japan*—while still engaged in my college responsibilities.

In June 1962 I came out to Seattle to visit my parents and then began a "circumferential" approach to Japan, which took three months. The trip was the grandest of my life: over the Pole to London, then to Paris. I dropped down to Tangiers and crossed Africa to Ethiopia. Down the Nile by boat to Luxor, I then went from Cairo to Amman. The same Radcliffe friend who helped me a few years later by saying she thought the Tariff Commission could use a specialist on Japan told me about Petra, in Jordan. What an extraordinary experience it was to enter this rediscovered "rose-red city, half as old as time"! One enters through a narrow split in the cirque of mountains where the Treasury and other buildings are literally carved out of the mountainsides. The architecture is Greco-Roman.

I went north through Eastern Europe, then across the USSR to Tashkent. For some reason I had always been "pulled" by Samarkand, Tamerlane's headquarters. From there I went down to Kabul, over to Delhi, Katmandu, Rangoon, Bangkok, and down to Phnom Penh and Siem Riap and the temple complex of Angkor Wat. It was the French who undertook the restoration of this rediscovered center. Given that Angkor Wat and related temples are in the tropics, this was an immense undertaking. Tree roots in that area can take any structure apart. I was scheduled by my ticket to go on to Saigon, but I was so taken by the beauty of these temples, the oldest of which parallel cathedral building in Europe, that I said to myself: "I will stay on for just a bit longer. Saigon is on the coast, so I can get to it at any time." Little did I suspect forthcoming events. (I have yet to visit Saigon.)

From there I flew to Hong Kong and on to Tokyo. It was a superb trip even if a little strenuous. Naganuma's character cards were my dinner companions throughout the trip. (These are a set of 2-inch by 3-inch cards, all too familiar to most foreigners who have studied Japanese. There are boxes of them, about two thousand in total, each containing one of the Chinese characters used in standard Japanese on one side and its main readings on the other.) In hotel dining rooms of that period, an unescorted woman at dinner looked somewhat ridiculous.

Typically the light was too low for reading a book, so Japanese character cards were my solution. They required little light to read and fit easily into a purse.

A RIP VAN WINKLE EXPERIENCE

Arriving in Tokyo the fall of 1962, I could not get over how the city had changed since my departure in 1947. I walked the streets with which I had previously been familiar in total disbelief at the scale of change. It was literally a Rip Van Winkle experience. Not only had the city been put back together; there was a striking age change of persons on the streets: they were full of young men and women. Frequently I found myself (then in my mid-forties) the oldest thing around.

I stayed at International House until permanent housing could be located, a search that required a few extra weeks. Ei Komada of Mills College (class of 1932) offered to let me stay with her in her apartment until the Fulbrighters occupying what would become "my" house departed in early December. Along with the house, I "inherited" a most wonderful helper, Shirosaki-san. Her husband was a musician for Kabuki theater, whose wages did not rise with Japan's mild inflation. The family needed more resources, so Shirosaki-san, at a time when married women did not take employment outside the home, had found an ad placed by my Fulbright predecessor asking for household help once or twice a week, and applied. After thirty years we still are in touch with one another over the holidays. To me she represents "old Japan," with its incredible loyalty and devotion.

One of the most pleasant contrasts with my previous stay was, of course, the ability to mingle freely with Japanese friends, old and new. While this was not yet a time when Japan's spectacular economic revival was widely understood in its true dimensions, there was nevertheless a restored sense of confidence that enabled the Japanese to express their own view of how things had changed since the war and the Occupation.

A Smith College student (not of the 1962 class) was eager to have me meet her parents, and naturally I accepted their invitation. I steeled myself for a whole evening of criticism about how mistaken I had been as a SCAP person endorsing deconcentration. But surprise! Her father approved of the program and told me how he had bought corporate stock where previously he had been unable to do so.

In this time period, I had the privilege of coming to know Professor Yasaka Takagi. He was truly one of this world's rare individuals. Outstanding as a scholar of American culture on the faculty of Tokyo University, he was a leader in the building of democratic institutions in Japan. In addition, he was an exquisitely thoughtful and generous person. One evening, when I was giving a small dinner party for an Amherst colleague and his wife, who had just arrived in Japan, conversation turned to where they were living. They replied something like "*shitamachi*"—which is about like saying, in the case of New York, "Manhattan." When it was time to leave, it was Professor Takagi who spent considerable time with the taxi driver, explaining that these foreigners had just arrived and giving such directions as we had been able to extract from them. He himself—despite being the most senior guest—took a train home. And, as we later learned, our friends did indeed find their way home in the taxi with the fragments of information he had painstakingly conveyed to the driver.

Burton Fahs, who did his "in country" work in Japan in the mid-1930s, studied among others with Professor Takagi. Fahs told me that on the morning of February 26, 1936, Professor Takagi telephoned and told him it would be advisable not to come to the university that day. Hours later, Korekiyo Takahashi (finance minister), Admiral (and Viscount) Saito, Lord Keeper of the Privy Seal, and General Watanabe, Inspector of Military Training, lay dead in consequence of the "2-26 revolt" of the junior officers.

Another friend, Kumiko (Takagi) Kondo (not related to Professor Takagi), whom I had first known through the student conference in 1936, helped me with my Japanese language during the year. Kumiko had won a U.S. government scholarship to study English in the United States and wanted to stay a full year. Could I help her find a teaching position? After many, many letters, I finally succeeded in finding an opening at a small college in New York State, where Kumiko taught the following year.

During this stay in Tokyo I met with Kumiko and her husband a number of times. Hers was a rocky marriage, arranged in the midst of wartime turmoil and possibly the greatest mismatch I have ever personally known. Oddly enough, in August 1945, the Japanese government had permitted Kumiko to marry an officer in the Japanese army stationed in Korea. Needless to say, as surrender came on August 15, they did not have much time together. Her husband was the senior officer in his immediate area, so he had considerable paperwork to do. Once he completed it, he "ordered" Kumiko to write a letter to his parents and then one to her parents. When she had finished the letters, he announced that

he would now kill her and then himself. Kumiko argued long and hard that surrender did not require their deaths, and she finally persuaded him.

The couple were together for a short time and then separated, he to a men's camp and she to a women's camp. She was returned to Japan, he to Siberia. When some ten years later Kumiko went down to Kyushu to meet her husband's ship, she did not even recognize him, he had lost so much weight. With only scorn for the postwar army, he turned to calligraphy and classical dance. He was good at calligraphy, coming in close to first place in national competitions. When I saw them in 1962, they were living in Tokyo, he as a teacher of calligraphy and she teaching English and Japanese.

HELP FROM MY FRIENDS

In Japan on my Fulbright, I could write and do research from morning to dark. My friend Michiko Ariga was generosity itself, providing critical support for this daunting project. We had first met in 1960, when she accepted my invitation to visit Smith College. She had been in the United States, in Chicago, to attend an antitrust seminar organized by Corwin Edwards. It was from her that I learned what a problem I had been to the Japanese government during the Occupation.

Ariga-san was herself an important figure in the story of antitrust in Japan: she later rose to become a commissioner of the Japanese Fair Trade Commission (notwithstanding the fact that she was female), tending the formation of antitrust institutions with the same energy that she devoted to supporting her four young ones and the parents of her late husband. (Her husband, the eldest son of his family, had been killed early in the Pacific War, hence Ariga-san's responsibility.) Ariga-san eventually was awarded high honors for her work by the Japanese government, including the Kun-nito Zuiho Sho in 1985.[5] Ariga-san was a wonderfully generous person, and she opened door after door for me when I was researching and writing *Antitrust in Japan*. She later was cotranslator of the book (528 pages)—in point of fact, the main translator, inasmuch as her collaborator, Professor Ohara, had died in the early stages of the job.

Born in China, Ariga-san was educated at Nihon Joshi Daigaku (Japan Women's College) in English literature and at the Tohoku Imperial University School of Law, then the only imperial university admitting women. Indeed, she entered the law school when Tohoku University first opened its doors to women, thus becoming Japan's first female law

graduate. It was her deep regret later in life that she had not had time to apply and pass the bar exam.

One of Mrs. Ariga's greatest contributions to my *Antitrust in Japan* book was putting together what I came to call my "criticizing seminar," for which I produced one "lean" draft chapter per month. After Ariga-san procured Wakimura, professor emeritus of Tokyo University's School of Law, as chairman, other potential members readily agreed to participate. Through Professor Ryutaro Komiya of Tokyo University, I found Shoichi Royama, then a third-year graduate student at *Todai,* who became my research assistant. (Subsequently he was a professor at Osaka University, and later president of Takaoka National College,[6] as well as a leading authority on the modernization of Japan's financial markets, participating in many government advisory committees.) He was superb. At my criticizing seminar, in which we spoke either English or Japanese, Royama-san was always asking me (when the discussion was in Japanese): "Do you understand?" It was good that he did, because I frequently mistook points.

The same year that I was in Japan working on my Fulbright project, Mrs. Ariga together with Professor Akira Shoda of Keio University (also father of the wife-to-be of the current emperor) arranged a seminar for government officials so that they could better understand the new concepts embodied in Japan's antitrust law. They permitted me to attend. Meeting at 6:00 P.M. about once a fortnight at Keio University, the seminar began with an *obento* (box) dinner. Apart from Mrs. Ariga, I was the only woman present. It was an unusual experience to step into a room of fifteen to twenty men all eating dinner in total silence. The Japanese do not combine conversation with food, or at least this was true in that period. Customarily, the most senior person would speak first and then others would follow, all with great politeness. I immensely appreciated the opportunity to be a "fly on the wall." After running a second seminar the following year in Tokyo, Mrs. Ariga and Professor Shoda undertook a similar seminar in Osaka to introduce officials in the Kansai area to the subject.

These activities, from which I benefited, were only a few of Mrs. Ariga's contributions to scholarship and the practical development of antitrust law in Japan. She worked tirelessly throughout her life to help and encourage younger scholars—whether students or junior colleagues—in this area, and particularly to foster interchange with experts in Europe and the United States. In 1964, when Japan joined the OECD, Mrs. Ariga was one of the first group of Japanese government represen-

tatives to the OECD Committee on Competition Policy, and later became deputy chairman of that committee. On top of her many other achievements, Mrs. Ariga also translated into Japanese Corwin Edwards' 716-page book, *Trade Regulations Overseas, The National Laws,* published in 1966.[7] Corwin Edwards influenced not only American thinking on antitrust, but that of major European countries and the European Commission as well. Postwar, the United Kingdom, France, Germany, and Italy all passed legislation restricting concentration.

ASSESSING THE DECONCENTRATION PROGRAM

I returned to Smith College the fall of l964 for a final academic year, and then departed the following June. The next fifteen months I spent at my parents' home in Seattle working on finishing *Antitrust in Japan.* The following spring (after I had already joined the Tariff Commission in Washington, D.C.) I submitted my completed draft to Princeton University Press. This was in 1966. The press accepted it, but returned the draft to me saying that they were giving me a year to make whatever improvements I chose. I thought I had already done that! But improvement is endless, as they doubtless understood. After what seemed to me an endless period of additional improvements, I returned the manuscript to Princeton in 1968, and they published it in 1970.

What conclusions did I reach in *Antitrust in Japan*? My general conclusion, after having reimmersed myself in this subject after a gap of more than fifteen years, was that our deconcentration effort had been a step in the right direction. We did not attain our objective, but we did change things substantially. *Zaibatsu* family members, or their specially appointed guardians, were no longer kings of their domains. Corporate executives could, in fact, be corporate executives. On sales they could make decisions about what prices to charge and whom to sell to; on purchases they could decided what prices to pay and from whom to buy. They could determine credit resources and terms of credit, terms and conditions of employment of staff, and so on. In the final chapter of *Antitrust in Japan,* I summarized the actions taken during the Occupation, which are listed in Table 7.

Many observers, seeing the same names that had dominated the prewar Japanese economy—such as Mitsui, Mitsubishi, Sumitomo—have argued that we effected no change, that the *zaibatsu* are still with us. I remember one conversation at a Washington, D.C., cocktail party in the late 1960s or early 1970s, when I was asked what I had done in the

TABLE 7.
Summary of deconcentration actions

Holding company actions	
Outright dissolution	16
Dissolution with reorganization	26
Reorganization without dissolution	11
Untouched	30
Stock dispersal program	
Antitrust	
Holding Company Liquidation	¥8.3 billion (proceeds from sale)
Fair Trade Commission	¥1.3 billion (paid-up value)
Other	
Finance Ministry (capital levy tax)	¥1.7 billion (proceeds from sale)
Closed Institutions Liquidation Comm.	¥3.1 billion (proceeds from sales)
Total	¥14.4 billion
Personnel programs	
Economic purge	1,535 executives
Zaibatsu appointees	40
Total	1,575
Reorganization of "excessive concentrations"	
Companies split	11
Companies with plants or shareholding in other companies affected[a]	8
Total	19

SOURCE: Eleanor Hadley, *Antitrust in Japan* (Princeton, N.J.: Princeton University Press, 1970), p. 443.

[a]Examples of companies closed by the Closed Institutions Liquidation Commission are: the South Manchurian Railroad, Bank of Korea, and Bank of Taiwan.

Occupation. I replied that I had been a trustbuster, and the unwelcome reply was, "Well, you surely did not accomplish very much, did you!"

I myself, when I wrote that very critical article in the *Harvard Business Review* in 1949, had been rather despairing about the extent to which the U.S. authorities had given up their efforts toward reform and democratization in order to promote Japan's short-term business recovery (and subsequently the Korean War effort). It truly seemed to me then that we had shown the courage to conceive but not to give birth (to paraphrase my former boss, Colonel Kades). I had returned to Japan in 1962 with a fully open mind as to whether or not we had accomplished anything at all.

But we had. Examining the reality beneath the surface, I found that,

notwithstanding the proper names, there were real differences from the Japan I had known before. Today's groups, called *keiretsu* (literally, "of the same lineage") are different. Relative to 1945, ownership is in bits and pieces—and here I am speaking of what was already true in the 1960s; it is truer today, and this is even before considering the latest trend toward cross-*keiretsu* mergers! For finance, companies rely heavily on lending from banks outside their own group, a practice that would have been unthinkable before, as well as on group banks. Indeed, in many cases there is not much difference in the share of financing from a company's "primary" bank (usually identified as the one with the largest lending share) and that from others. In brief, today's groupings are looser. There is room for executives to function as such.

One of the clearest contrasts is that not a single one of Japan's contemporary business groupings is family-dominated.[8] The importance of this change is hard to appreciate today, but the very fact that the whole topic of family-dominated combines, and their influence over Japan's overall economy and politics, has virtually dropped out of discussion—as it decidedly has not in many of Japan's Asian neighbors—is illustrative of how much has changed. To be sure, this was not all due to the Occupation: even before World War II, the family role in the newer business groups that came to prominence in the 1930s tended to be minor or virtually nonexistent. But Japan in 1945 was still a country where the largest of the great conglomerate structures were pervaded by a feudalistic loyalty to the family at the top, and where the integrating power of these family ties helped to seal and legitimize their dominance. It was this that convinced the New Dealers of the U.S. Occupation—myself among them—that deconcentration was essential to any effort to democratize Japan. And this, it has to be recognized, was achieved. To be sure, Japan may not match American standards of democracy in a variety of respects. But it clearly is a far more democratic society than it was formerly.

THE END OF EXILE

When I departed from Smith College in June 1965 I had two things pending: completing my manuscript and getting my good name reinstated with the United States government.

I proceeded to Seattle by way of Washington, D.C., to see Senator Henry M. Jackson, who was shocked and dismayed to learn that my problem, which we had discussed more than fifteen years earlier, was

still with me. I explained to "Scoop" that I had tried every approach to get the matter settled years earlier, but nothing had worked.

Everything remained the same until Scoop Jackson himself took over in 1965. Thanks to his efforts, I finally did obtain a "top-secret" clearance. This time, Scoop was joined by General Whitney, under whom I had served in Tokyo; he had retired and was now living in Washington, D.C. General Whitney recalled that, fifteen years earlier, when responding to my letter asking if he knew of anything in the GHQ files that could be damaging to me, he had written to me from SCAP headquarters in Tokyo saying, "not only was nothing in the files of the government Section of GHQ-SCAP in any way derogatory to her, but that I was sure by the time she had my letter her difficulty would be cleared up." Whitney's letter dated March 6, 1950, in fact had gone on to say that he saw "no reason to suspect that any other agency of this headquarters would have grounds for attainting your loyalty." But, of course, General Whitney could not have known what inventions General Willoughby might have placed in his own files. The two frequently disagreed on policy, and Willoughby would not likely have confided in Whitney or shown him his writings about me.

Scoop Jackson's genius was in thinking through the issue from the opposition's point of view and then coming up with a solution. Recognizing the problem that an executive branch department or agency might have—the risk of losing a budgeted "slot" if there were a delay in getting me clearance—he asked the State Department if they would take me on as an unpaid consultant. This avoided the slot problem but required a clearance, which in my earlier "Catch-22" situation I could not have obtained because one needs a job offer to start the clearance process off. State said yes, which allowed a fresh FBI review to get under way. (The FBI will only do an investigation for a valid job offer.)

For the next fifteen months, while I labored on my manuscript at my parents' home in Seattle, the FBI investigated me. State Department security people investigated me as well, for a clearance requires both the FBI and the employing agency's security approval. At the end of 1966, I was informed that I had been given a top-secret security clearance. After all that time, I had been found "pure." Owing to Senator Jackson and General Whitney, I could once again become part of the executive branch of the United States government.

Willoughby's papers, including a report on "Leftist infiltration into SCAP" in which I was mentioned, were declassified in 1975. I did not actually read this material until recently, and I find that the concern

about me turns out to have been based primarily on the fact that I was dating a journalist named Joseph Fromm, who was then Tokyo correspondent for *World Report*. In 1948, when *World Report* merged with *U.S. News,* Joe Fromm remained as a foreign correspondent in Tokyo and later in London until 1974, when he returned to Washington to become one of the top three editors of *U.S. News & World Report*. When the magazine was sold in 1984 he continued as an adviser until 1986, when he became a consultant to the government on strategic affairs and received a top-secret security clearance. Access to his records under the Freedom of Information Act provided him information that a government investigation in the 1950s had concluded that he was not disloyal.

The association with Joe Fromm, strung together with the names of others with whom I had been observed "having dinner at the Tokyo correspondents' club" (including Gordon Walker, then the beau of Haru Matsukata, who later became the second Mrs. Edwin Reischauer), and the assertion of my "relative immaturity and . . . lack of sufficient experience for a position of such responsibility," were said to "suggest the possibility" that I was "being exploited by leftists in and outside GHQ." Such suggestions (there were no accusations), if they had seen the light of day at the time, would have been easily discredited by me or anyone who knew me. Reading through this material reminded me of that wonderful declaration in Anatole France's *Penguin Island,* when the war minister says: "The Pyrot affair, as I arranged it, left no room for criticism; there was no spot where it could be touched. It defied assault. It was invulnerable because it was invisible."

THE TARIFF COMMISSION

I returned to Washington, D.C., where—walking along the street in December 1966—I bumped into my Radcliffe friend Penelope Hartland-Thunberg. Penny Thunberg by this time had become a commissioner of the United States Tariff Commission (which in 1975 became the International Trade Commission), the first woman to be appointed to that post. I asked her if she thought the commission could use a Japan specialist, and she said she thought it could. Japan was once again of interest, what with the U.S. trade surplus having turned into a large and growing deficit. I applied formally for a position, and the commission offered me a GS-14 economist position.

The Tariff Commission had decided they could use a Japan specialist,

but when they discovered the thickness of my clearance folder, they reversed themselves. Scoop was furious at them. The commissioners agreed to reconsider, and after reading through my file—all except for Penelope Hartland-Thunberg, who refused to look at it—the commissioners reversed their reversal. Adding irony to the situation was the fact that the commission had virtually no classified work!

I was with the Tariff Commission for seven years, from 1967 to 1974. It was a busy period for issues related to U.S.–Japan trade, and I found my skills very much in demand. At last I was "aboard" in a paying position again—and as an economist at that. It was also during my time at the Tariff Commission that my book, *Antitrust in Japan,* finally appeared in print (1970). One thing I learned from this endeavor is that with a manuscript improvement can be endless: at some point, one simply has to call it quits. Pleasingly, the book received favorable reviews. Over the years since then I have often found myself introduced to academic audiences as the author of the "standard account" of deconcentration.

In 1972, while still with the Tariff Commission, I joined the faculty of the Economics Department of George Washington University (GW) in Washington, D.C., as part of an evening program. Knowing of my interest in resuming some teaching, Lucile Graham, a GW alumna and administrative head of the Tariff Commission (as well as a former commander in the wartime WAVES), had originally arranged for me to have an interview with the then head of the GW Economics Department, Henry Solomon, in 1970. Professor Solomon, when I met him in his office, had asked me what my specializations were, and I replied, "industrial organization" and "the economy of Japan." He said he had just filled the industrial organization opening and, as for Japan, the university had no interest.

Two years later he called Ms. Graham, saying: "What was the name of that woman you sent over with a Japan specialization? Send her over right away." And so began what became a twelve-year association with GW. Initially I was appointed a professorial lecturer; later I became adjunct professor. I offered two evening classes per week to undergraduates in the spring semester and one meeting per week to graduate students in the fall. By day many GW students work for the government; by night they improve themselves. This makes for an exceptionally focused group. I enjoyed my years with GW, which continued from 1972 until 1984 when I departed D.C. for Seattle. The years I was at GW were the years when Japan's phenomenal postwar

growth performance was beginning to be recognized, so interest in the Japanese economy grew and grew.

In 1974, after seven years with the Tariff Commission, I was induced to try another indirect stint on "the Hill." This came about through a slight personal connection to Elmer Staats who, as comptroller general, headed the General Accounting Office (GAO). That spring I transferred to the GAO's International Division, later becoming an assistant director of the division. I remained there for seven years.

Auditing was a new experience for me: because in auditing financial reports a check mark is made over each figure, the GAO audited non-financial reports in the same way, with each word being checked. A good deal of GAO work was at the request of individual senators or House members. Since Senator Lloyd Bentsen was chair of the Joint Economic Committee, there were frequent requests from him, including one for a study of U.S.A.–Japan economic relations. I spent a year heading that project, which resulted in a widely cited publication grounded in case studies of seven representative industries.[9]

Chapter Six

Reflections

I retired from government service and returned to Seattle in 1984. My mother was then ninety-five and still managing a large house, an apartment on the grounds, and an extensive garden. Another pair of hands seemed a good thing. I did not realize how difficult an adjustment it would be for me. In three "incarnations"—wartime, early postwar, and then from 1967 to 1984—I had lived in D.C., twenty-seven years in all, and on the East Coast of the United States for forty years. Virtually all my friends were on the East Coast. But of course one adjusts; and, of course, it has provided me with a chance for reflection, as well as the time, eventually, to think about and prepare this memoir.

WORKING FOR MACARTHUR

The preceding pages report the adventures of a 1938 college graduate attempting to understand her world. While on MacArthur's staff during the Occupation of Japan, I expressed my ideas too clearly, even though the ideas were those of the Joint Chiefs of Staff in Washington. With more subtlety, I might have avoided the personal repercussions of having impressed too many people as someone too zealously on one side of arguments supporting New Deal policies applied in Japan. Those arguments took on an unexpected significance in the difficult 1949 to 1956 period in the United States, and the aftereffects for me personally extended all the way to 1967.

I do not know if things could have turned out differently, but there is a chance they might have. At the very least, I should have thought to

return to the United States with a letter of commendation from MacArthur. That is what my colleague, Ed Welsh, chief of the Antitrust Division in the Occupation, did, and it worked for him—even though some of Welsh's trust-busting ideas were more extreme than any I ever conceived. As I have noted in Chapter 3, Ed Welsh's proposal to break up the Mitsui and Mitsubishi trading companies, the most drastic of the entire deconcentration program, was implemented by direct action of General Headquarters—a fact that made it plainly MacArthur's responsibility alone, and not to be blamed on any advisers or staff. This no doubt deterred critics, who had no wish to tangle with MacArthur's lofty reputation even when they disagreed with him. Ed Welsh subsequently held a top-secret security clearance in the executive branch of our government. I, on the other hand, posed a "security risk."

In my case, this came about because General Charles Willoughby, Chief of G-2, did not like anything about antitrust.[1] As the option of opposing a policy position taken by the Joint Chiefs of Staff and General MacArthur was not available to him, all he could do instead was attempt to destroy those on MacArthur's staff who espoused these views. That is what he chose to do in my case, passing along to Washington the Mitsui, Mitsubishi, and Sumitomo views of me as if they were American judgments. This caused me immense pain, but with the help of Bach, Vivaldi, Beethoven, Mozart, and Schubert I made it through those difficult years.

While few things could seem more unlikely than that my professional life should have been affected by the career of a man like MacArthur, in retrospect this seems to me to have been the case. So many times I am asked what sort of a person MacArthur was. He was a giant—in physique, intellect, values, and his ego. MacArthur was a patriot in the finest sense of the word. His rich sense of history gave a depth to that term not often seen. Although his whole life was dedicated to war, he was clear about the superiority of peace. Born in 1880, MacArthur was sixty-five when he was selected to head the Occupation, which made him seventy years old at the outbreak of the Korean War.

At West Point he graduated first in his class. His unit in World War I, the Rainbow Division, was the most decorated unit of that war. He was army chief of staff under Herbert Hoover when he chased the "bonus marchers"[2] out of Washington. After he left the active ranks of the U.S. Army, in 1937 he became commander in chief of the Philippine Army, which in the fall of 1941 was integrated into the U.S. Army, with MacArthur becoming a four-star general. Even though the Japanese had

always said they would invade the Philippines, MacArthur lost his entire air force on the ground some hours after Pearl Harbor. However, unlike Kimmel and Short at Pearl Harbor, MacArthur came through the experience without a blemish on his military record. From Australia, he led the Allied effort back to Japan, unconventionally hopping island to island in order to establish air bases from which to attack Japan.

Although he was a political conservative, MacArthur wholeheartedly embraced his instructions from the Joint Chiefs of Staff in 1945, written by the State, War, and Navy Coordinating Committee, which were New Deal in spirit. This has long been a problem for those who wished to decry Occupation reforms while asserting their loyalty to MacArthur. Indeed, one of the criticisms of those who tried to stop the *Harvard Business Review*'s publication of my 1948 article was precisely that I said MacArthur personally supported FEC 230 and the measures that had to be taken to effect its objectives. When I wrote to General Whitney, who was then still at GHQ in Tokyo, asking for his comments on the article, and also about an appropriate source to document MacArthur's views, he referred me to the letter that MacArthur had written to Senator Brian McMahon, who read it to the Senate on February 17, 1948.[3] Never reluctant to state his views, MacArthur defended the Economic Deconcentration Law of December 1947 in his typical MacArthurian English:

> For your information . . . I did publicly state my view with respect to the underlying purpose of the paper known as FEC 230 on New Year's Day last. . . .
>
> In any evaluation of the economic potential here in Japan, it must be understood that tearing down the traditional pyramid of economic power which has given only a few families direct or indirect control over all commerce and industry, all raw materials, all transportation, internal and external, and all coal and other power sources is the first essential step to the establishment here of an economic system based upon free, private competitive enterprise which Japan has never before known. . . .
>
> The Japanese people, you may be sure, fully understand the nature of the forces which have so ruthlessly exploited them in the past. They understand this economic concentration not only furnished the sinews for mounting the violence of war but that its leaders in partnership with the military shaped the national will in the direction of war and conquest. . . .
>
> These things are so well understood by the Japanese people that apart from our desire to reshape Japanese life toward [a] capitalistic

> economy, if this concentration of economic power is not torn down and redistributed peacefully and in due order under the Occupation, there is not the slightest doubt that its cleansing will eventually occur through a blood bath and revolutionary violence. For the Japanese have tasted freedom under the American concept and they will not willingly return to the shackles of authoritarian government and economy or resubmit otherwise to their discredited masters.

During the Occupation, MacArthur was advised by a group of generals of differing views. The sharpest differences were between General Courtney Whitney, for whom I worked, and General Charles Willoughby, MacArthur's "lovable fascist" who headed the Intelligence Section. Willoughby was apprehensive about War Department civilian employees, including me.

General Willoughby's files are now available to the public in the MacArthur Memorial Foundation in Norfolk, Virginia. I have studied with some care his reports of September 25 and 27, 1946, and March 5, l947. These are under the general heading of "Leftist Penetration of SCAP." Reading these, I could not escape the astonishing observation that General Willoughby wrote as if there had never been a Basic Directive from Washington directing Occupation reforms. He was cognizant of the Potsdam Declaration, which on July 26, 1945, had demanded Japan's unconditional surrender and asserted wide authority of the Allied occupying forces to establish a "new order of peace, security and justice," calling on the Japanese government to "remove all obstacles to the revival and strengthening of democratic tendencies among the Japanese people." But it is as if the other document, mandating the actual shape of democratizing reforms, had never been issued by the Joint Chiefs of Staff. Accordingly, Willoughby concluded that deconcentration was of "leftist" origin. Could it really be that one of MacArthur's key advisers had forgotten that MacArthur was to be guided in all his policy actions by this document? From a literal reading of these reports it is difficult to conclude otherwise.

THE OCCUPATION AS "NEW DEAL"

As I reflect on U.S. policy toward Japan in the Occupation period, my first thought is that it was decently motivated. We were not trying to impose on others what we were not prepared to do to ourselves. We did

not seek revenge; we sought to construct a world in which the evils of economic depression and war would never reassert themselves. That this thinking motivated so many of us—from liberal staffers up to conservative generals and including MacArthur himself—was perhaps what grated most harshly on a few persons within GHQ who thoroughly disagreed.

Today it is difficult to imagine the United States worrying over the power of big business, as one multibillion-dollar merger after another goes unchallenged—at least, not on the grounds of size alone. Corporate size is clearly of less concern than it was in the 1930s. But conduct is something else, as Microsoft has learned. We still insist that corporations conduct themselves so as not to exclude challengers. That is the difference between the era of 2000 and the 1940s. Then, we were seeking answers to the question, what caused the Great Depression; today we have been experiencing unprecedented prosperity (even taking into account the inevitable markdown of some cyclical excesses of the 1990s). Between 1940 and 2000, markets have vastly expanded, from local to regional to national, and now global. One is obliged to think in new terms. Between 1940 and 2000 the power of governments has greatly increased; they are much more powerful today than they were earlier. There are those who like to worry over the increase in government power while disregarding the growth in business power. But both have grown.

As the preceding pages amply document, I was disappointed when the Occupation's efforts in Japan took a "reverse course" in response to changing American priorities. I believed it would have been better to stay the course of more thorough reform, in deconcentration policy as well as other areas. While the shift to more emphasis on strengthening Japan's economy had long been needed, and became more urgent as the Cold War became a greater reality, it could have been integrated with the reform effort rather than being seen as in opposition to it. More optimistic than some, I thought a wider dispersion of control would promote a more competitive and stronger economy as well as a more democratic Japan. It is still my belief that, over the long haul, our tradition of vigorously enforcing antitrust principles is one of the great sources of U.S. economic strength. The past decade, with its extreme challenges to economies' ability to adapt to new conditions, has demonstrated that strength once again.

In retrospect, however, even I was far too pessimistic about what Japan could accomplish in the postwar period. Although my reservations about whether it was realistic to hope for widespread public ownership of stocks proved correct, most of my other fears went unrealized. The

limited deconcentration measures that were taken (and, yes, even the limited purge of individuals at the helm of companies) helped to open up a rivalrous, competitive economy in which Japanese strengths came to the fore.

While the conservative Japanese leadership succeeded in reversing many initiatives that I believed in, they also applied their own common sense in positive ways. I had worried about the American planners' lack of provision for economic planning—a responsibility largely borne by the combines in prewar Japan—but MITI officials went right ahead with their own ideas of indicative planning. Rejecting the Occupiers' backward-looking vision of what their economy could become, they architected a future based on first-world industries. And they persisted in their "delusion" that monetary stimulus based on central bank credit and combined with balanced government budgets could support a higher growth path within this vision. (It is worth noting that this latter strategy became U.S. government macroeconomic policy orthodoxy in the 1990s, with similarly favorable results.)

Even if the 1990s have revealed some limitations in the Japanese approach as it evolved during the late 1940s and 1950s, these can hardly be said to have eclipsed the accomplishments of the previous four decades. The success of one approach often contains the seeds of its own destruction that then demands another. In this case, the Japanese economy's spectacular postwar expansion caused it to mature and cease to be a follower, which undermined the effectiveness of 1950s-style indicative planning and of macroeconomic policies that promoted saving at the expense of current consumption.

JAPANESE STUDIES—THEN AND NOW

It is members of the Japan Economic Seminar who pushed me to write this memoir, and to think through just what has come of my adventure with Japan and Asia over the past sixty-five years. My first trip to Japan was in the summer of 1936, when I was the Mills College delegate to the Third America–Japan Student Conference. My last trip, the fourteenth, was in 1992. Now in my eighties, I have necessarily been witness to extraordinary social change in Japan, in the United States, in relations between the two.

Before the Pacific War, Americans had little interest in Japan; our love was China. We deplored Japan's takeover of Manchuria, and our government's mantra of the period was "China, the Open Door." Japan's

Manchurian adventure closed the door to British, American, and other businessmen, reserving the area for Japanese alone. Reflective of America's love affair with China was Franklin D. Roosevelt's decision at the end of World War II to make China one of the five great powers, with a permanent seat on the Security Council of the United Nations. At that time, China met the requirements of great-power status only in Roosevelt's imagination.

Before the Pacific War, among scholars interested in the Far East the overwhelming interest was in China. There were only a handful of scholars interested in Japan. Everything about China was considered a plus; almost everything about Japan was a minus. China had a grand intellectual tradition; Japan had a military tradition. Chinese cuisine was delicious; Japanese unpalatable. Chinese women were beautiful and had a sense of style; Japanese women were unattractive and had no sense of style. Such were the stereotypes.

In the span of my lifetime Japanese studies in the United States have gone from barely existent to robust. When I was an undergraduate, there were less than a handful of universities that offered anything on the Far East. Courses on Chinese art were the one exception. Edwin Reischauer was able to describe Japanese studies at Harvard in the mid-1930s as consisting of his older brother and himself (both graduate students at the time). It was Pearl Harbor that changed things.

For Japanese history, I grew up on the Scottish historian James Murdoch's three-volume *A History of Japan,* first published in 1903. When Sir George Sansom's *Japan, a Short Cultural History,* made its appearance in 1938 it was—unsurprisingly—a source of great excitement. This dearth of materials from which to learn is hardly imaginable now, when we have (to mention two works of just the past couple of years) such efforts as John Dowers' *Embracing Defeat* (1999) and Herbert Bix's *Hirohito and the Making of Modern Japan* (2000). These studies benefited from a whole new level of Japanese-language competency—even extending, in the case of Bix, to an ability to read handwritten Japanese in diaries and the like—and thus of intimacy with Japanese source materials that is light years beyond what our generation could even conceive of as we struggled to interpret (and even to change) prewar and early postwar Japan.

Interpretation becomes perspective. In 1940, when Japan's population was seventy-two million, the Japanese government argued that it could not live within so small a territory. Now, with a slightly diminished territory compared to then and a population (as of 2001) of 126.5 million persons, the government is encouraging women to have larger families (as Japan's net reproduction rate has become negative in recent

years). But now, of course, the motivation is not a drive to produce soldiers to fight Japan's wars, but rather a response to the unforeseen consequences—a projected outright decline in population—of spectacular economic success, improved health care, and falling birth rates that have made the Japanese the longest-lived persons on average of any country on earth. For some years now, the Japanese economy has been the second largest in the world. And it stands at or near the top ranking on a number of other dimensions—including income distribution, higher education, nutrition, and air pollution, to mention only a few.

SEEKING A MORE "ROUNDISH" WORLD

In these circumstances, how was it that in 1938, on graduating from Mills College in politics, economics, and philosophy, I headed for a second trip to Japan? Participation in the America–Japan Student Conferences (second, third, and fourth) was the major influence. I had found that I liked Japanese people. Also, in demand-supply terms, American Far Eastern scholars were overwhelmingly students of China; it seemed a good idea to aim at evening things out a bit. In down-to-earth terms, I needed a fellowship in order to go abroad, and I was offered one by the Government of Japan. Thus it was that I embarked on a study of things Japanese in the fall of 1938.

Going abroad to the Far East before the Pacific War was quite different from going out to Japan for study today. One traveled by ship, which took twelve to fourteen days depending on one's port of embarkation. From Seattle, ships took the Great Circle route, which meant twelve days of cold and fog regardless of the season of the year. From San Francisco or Los Angeles, ships stopped in Honolulu, adding time to the longer route.

Upon arrival in Japan one found oneself an object of curiosity, not only as a foreigner, but much more so as a Westerner interested in studying the language, Japanese history, and related topics. Westerners did not study the language: Japanese spoke to Westerners in the native tongues of Westerners. Of course, the United States as well as the major powers of Europe needed a few officials who could understand the language to serve as foreign service officers and army and navy language officers. But the U.S. government's need of training for four or five officers per year was accommodated by one man, Mr. Naoe Naganuma, at our embassy and at other missions. Naganuma had made a career of discovering how best to teach the language to foreigners—and

let me report that there is a great art to teaching foreign languages, especially Japanese. Today there are dozens of competent language centers in Tokyo and elsewhere. It is no longer peculiar to study Japanese.

Prior to the Pacific War (Japan's part of World War II) one felt isolated in Japan. It was a world of its own. There was no evening news updating one on what had happened in the world apart from Japan's official reporting of its own events. The Japanese at that time were utterly secure in their assumption that they were "unique" among human societies, able to function apart from the rest of the human family.

The all-pervasiveness of this sense of uniqueness and isolation is one thing that changed with the experience of World War II and the Occupation. Herblock, the cartoonist of the *Washington Post,* captured this well in a cartoon that he created in 1951. In it, he showed MacArthur seated before a sort of chess-table map of East Asia and glaring at Marshall, who points to a globe, saying to him, "We've been using more of a roundish one."[4] The cartoon captured the profound difference in thinking of the two generals. In World War II, MacArthur, perhaps unconsciously, had retained some of the prewar view of Japan as a world of its own. For Marshall, Europe was the prime focus of our military efforts to save the globe, and East Asia came next. MacArthur, always one to feel slighted at the least excuse, interpreted this as a slight: he resented the larger proportion of men and supplies going to Europe versus those coming to him.

In the 1930s knowledge of the countries of the Far East was not expected of a well-educated person. However, a good deal of the exoticism had left Japan by the end of six years' Occupation in the 1950s—just as it was dispelled from Korea by the end of our struggle there, and as the pattern was repeated again in Vietnam by the end of that encounter.

By the end of the 1970s our ideas of the world had become rather more roundish. In the thirties, world history consisted of Egypt, Greece, Rome, Europe, and the United States. Today we take a look at the rest of the Americas, Africa, and South and Southeast Asia as well as the Far East and Russia. The "world" is more roundish.

HOME IN SEATTLE

After returning to live in Seattle in 1984, I taught for four years (1986–1989) as a lecturer in the Jackson School of International Studies of the

University of Washington. Beginning in 1986, I participated with three other faculty in the so-called task force wherein graduating students in the Japan program are given a problem and spend a quarter working out a solution to it. For example, should Japan be given a permanent seat on the UN Security Council? This was an interesting experiment for me; rather than lecturing, the faculty act as a resource for students. Subsequently, I offered the program by myself.

My mother's Mortar Board group was one institution that eased the transition back to my Northwest American roots. Two years after I returned to Seattle they initiated me as an honorary member. With service, leadership, and academic performance as its goals, Mortar Board brings together an outstanding group. Until 1975 it was an organization for women. In that year, in consequence of Title IX, it became coeducational. In 1986 the Seattle branch of Mortar Board established a scholarship in the Jackson School of International Studies—at which I had done a "dab" of teaching—in my name, which I have continued to support. Earlier my brother and I had created, for Mother's ninetieth birthday, a scholarship in her honor in early childhood education at the University of Washington. In 1999, Mortar Board National honored me as a "Distinguished Lifetime Member."

Also sustaining has been our interuniversity Japan Economic Seminar, which now meets four times a year, twice in the fall and twice in the spring semester. As previously explained, begun in 1966 by faculty from Harvard, Yale, and Columbia—Henry Rosovsky, Hugh Patrick, and James Nakamura, respectively—the seminar now includes George Washington and all universities in between and around the East Coast. Anyone seriously interested in the Japanese economy is welcome, regardless of university, government, or private-sector affiliation. The discussions are unfailingly substantive and lively. From 1970 until 1988, I attended all seminar meetings even though I was based in Seattle starting in June 1984, and even now I attend on occasion.

One element of continuity has been my close relations with the Association for Asian Studies (AAS) and its Northeast Asia Committee (Japan and Korea), on which I served a three-year term. In the case of the AAS I go all the way back to its founding in New Haven, Connecticut, in 1948, when as a Radcliffe graduate student, I did a paper for the first gathering. In the intervening years there were many occasions when I presented papers or participated in panel discussions. In 1997 the AAS gave me its distinguished service award, accompanied by a graceful and flattering tribute written by Carol Gluck.

Notes

Introduction

1. Theodore Cohen, *Remaking Japan: The American Occupation as New Deal* (New York: The Free Press, 1987), p. 93.

2. This piece is from a memo to one of Gen. Willoughby's senior staff, quoted in ibid., p. 95.

3. *Leftist Infiltration in SCAP,* September 23, 1946; from the Willoughby Papers, in the MacArthur Memorial, Norfolk, Virginia.

4. Undated Willoughby memo, from Willoughby Papers, cited by T. Cohen, *Remaking Japan,* p. 95.

5. Appendix to *Leftist Infiltration of SCAP,* August 20, 1947, p. 13.

1. Prewar Experiences

1. I am indebted to Willa Lou O'Connor, who, as Willa Lou Woods, was an official delegate from the University of Washington to the first conference, for these names.

2. See Tatsuji Takeuchi, *War and Diplomacy in the Japanese Empire* (London: George Allen & Unwin, 1935), pp. 337–421, especially 390–402 and 402–421.

3. These are his words as I took them down in my own notes at the time; I do not have the publication date.

4. For the United States, the address is JASC, 606 Eighteenth Street N.W, 2d floor, Washington, D.C. 20006; for Japan, the address is International Education Center, 21 Yotsoya, 1 Chome, Shinjuku-ku, Tokyo 160.

5. Hugh Byas, *Government by Assassination* (New York: A. A. Knopf, 1942), p. 74.

6. *The Third America–Japan Student Conference, 1936,* published by the Japan Student Association (June 1937), pp. 111–112.

7. Some of this background is from Hisako Ikeuchi's short memoir entitled *Watakushi no seishun* (My youth) (Tokyo: Mizuho Company, 1986).

8. From 1941 to 1947, Mrs. Utley was a member of an advisory council to Princeton's Department of Politics. She had been a foreign correspondent for the *Manchester Guardian* in Japan (1926 to 1928), was correspondent to the *Reader's Digest* in China (1945–1946), and authored a number of books. As the title suggests, in *Japan's Feet of Clay* (New York: W. W. Norton, 1937) the author was critical of Japan's efforts to bring China under Japan's control; and she was extremely skeptical of Japan's capacity to become a first-rank economy. Like a number of prominent Americans at the time—including the former president of the Brookings Institution in Washington, D.C.—she took Japan's lack of natural resources to be defining of the country's destiny.

9. The former Count Kabayama was the official convenor of a meeting of thirty-five prominent scholars and business leaders, held on November 12, 1951, at the Industrial Club, who constituted themselves as a Cultural Center Preparatory Committee and elected Kabayama as their chairman. See Mikio Kato, "The Genesis of International House," paper in the archives of International House (October 1995), p. 9.

10. Tom Blakemore died in 1994; his wife, Frances, in 1997. The bulk of their estate has gone to the Blakemore Foundation for the encouragement of advanced study of Asian languages and a better understanding of Asian art in the United States. Griffith Way is trustee.

11. I do not have this printed article in my possession; this extract is from my own typed draft.

12. Beate Gordon, *The Only Woman in the Room* (Tokyo: Kodansha, 1998).

13. This fact was called to my attention by Andrew Horvat.

14. Richard Storry was the author of several well-known articles and books on Japan. The books include *The Double Patriots: A Study of Japanese Nationalism* (1957) and *The Way of the Samurai* (1978).

2. Radcliffe College and Washington, D.C.

1. Shu-chuang's life is reflective of the times through which she has lived. She finished her Ph.D. in 1948 and by then was married to Sheng-shu Ting, a research fellow in linguistics. With the expiration of Sheng-shu's stay in the United States, and unsettled by China's tumultuous conditions in the last days of the Kuomintang, they decided that Shu-chuang would stay temporarily (as it

turned out, for eight years) in the United States with their infant daughter, Yen Ting, while Sheng-shu returned to China. During these years, Shu-chuang worked at the Economic and Social Department of the United Nations Secretariat in New York; we visited each other often before she returned to China in 1956. Events separated us for the next twenty-odd years, until a fellow Radcliffe economist, Penelope Hartland Thunberg, visited China in 1979 and reunited us. With the help of Anne Krueger, whom Shu-chuang happened to meet at an international conference in Italy, Shu-chuang was able to send her daughter (who had missed university education at the normal age because of the Cultural Revolution that began in 1966, just when she was graduated from high school) to the United States to earn a bachelor's degree at the University of Maryland. Shu-chuang herself came in 1986, subsequently relocating to Cambridge, Massachusetts, where she still lives. We speak on the first Sunday of each month by telephone.

2. Charles B. Fahs was chief of the Far Eastern Division of the OSS, 1940–1945; he was assistant director of humanities of the Rockefeller Foundation, 1946–1948; associate director, 1949–1950; and director, 1950–1962. He was Cultural Councillor of the Tokyo Embassy, 1962–1964.

3. The "Suggested Charter" (also known as the ITO [International Trade Organization] Charter or the Havana Charter) was rigorous in its prohibition of most known forms of trade restriction and comprehensive in its approach: extending beyond trade alone to embrace issues of economic development, employment, and restrictive business practices, and contemplating the creation of an international trade organization for enforcement. The charter was never ratified by the U.S. Senate, but one product of these negotiations was the GATT. The GATT contained most of the trade policy rules and, of course, it has formed a core of the liberalized postwar trading regime.

4. Supreme Commander for the Allied Powers, Government Section, *Political Reorientation of Japan: September 1945 to September 1948*, "United States Initial Post-Surrender Policy for Japan" (Washington, D.C.: Government Printing Office, 1949), p. 429. The entire Basic Directive is contained in pp. 429–439.

5. Ibid., p. 435.

6. Ibid., p. 425.

7. Members of the mission were: as Chief of Staff, Robert Dawkins—legal advisor and consultant, Federal Trade Commission; William B. Dixon—special assistant to the attorney general, Antitrust Division; James M. Henderson—special assistant to the attorney general, Antitrust Division; Samuel Neel—special assistant to the attorney general, Antitrust Division; Raymond Vernon—assistant director, Trading and Exchange Division, Securities and Exchange Commission; R. M. Hunter—legal consultant, Federal Power Commission and professor of law, Ohio State University; and Benjamin Wallace—special advisor, Tariff Commission.

3. The Occupation

1. William Manchester, *American Caesar: Douglas MacArthur, 1880–1964* (Boston: Little, Brown, 1978).

2. For the text, see *Bulletin* of the Department of State, February 28, 1946.

3. For the text of the agreement, see Edwin M. Martin, *The Allied Occupation of Japan* (Stanford, Calif.: Stanford University Press, American Institute of Pacific Relations, 1948), appendix B.

4. Richard Finn, *Winners in Peace: MacArthur, Yoshida, and Postwar Japan* (Berkeley: University of California Press, 1992), p. 154.

5. Ibid., pp. 154–155.

6. Beate Sirota (Gordon) was an exception, having been permitted by the U.S. military to go to Japan late the previous year in order to search for her parents, who were still there. Beate Gordon, *The Only Woman in the Room* (Tokyo: Kodansha, 1998).

7. Holding Company Liquidation Commission, ed. *Laws, Rules and Regulations Concerning the Reconstruction and Democratization of the Japanese Economy* (Tokyo: Kaiguchi Publishing Company, 1949).

8. I am indebted to Marlene Mayo for this bit of documentation, which she cites in her article "Planning Japan's Economic Future: Deconcentration and the Business Purge in the Initial American Policy for Occupied Japan, 1942–46," a paper delivered to the Seminar on Modern East Asia: Japan, Columbia University, December 1978.

9. Kades wrote a well-known article that is the standard account of how he and other SCAP officials rewrote the Japanese constitution, almost literally overnight, under MacArthur's direction. Charles Kades, "The American Role in Revising Japan's Imperial Constitution," *Political Science Quarterly* (Summer 1989).

10. In addition to business measures, there were programs of land reform and labor relations reform that brought about important changes in the economy and income distribution.

11. A Scapin is a SCAP instruction, i.e., directive, a form that MacArthur used less and less as the Occupation evolved, relying instead on "voluntary" actions.

12. SCAP, GHQ, "History of the Nonmilitary Activities of the Occupation of Japan,", vol. 13, Finance, Part D, pp. 4–5; quoted in Eleanor Hadley, *Antitrust in Japan* (Princeton, N.J.: Princeton University Press, 1970), p. 116.

13. Hadley, *Antitrust in Japan,* p. 60. I am indebted to Kazuo Sato for directing me to Takafusa Nakamura's *Showa Keizaishi* (Tokyo: Iwanami Shoten, 1986) for discussion of this measure.

14. For a fascinating lawyerly account of the enactment of this legislation,

see Harry First, "Antitrust in Japan: The Original Intent," *Pacific Rim Law & Policy Journal* 9, no. 1 (February 2000): 1–71.

15. What a different world Germany represented! Within Germany's own government there were those who believed in competition policy. See John Haley, *Antimonopoly Law in Germany and Japan* (Seattle: University of Washington Press, 2001).

16. Hadley, *Antitrust in Japan,* p. 20.

17. Ibid., p. 466.

18. Eleanor Hadley, "Trust Busting in Japan," *Harvard Business Review,* June 1948, p. 429.

19. Hadley, *Antitrust in Japan,* p. 48 (for 1945) and p. 52 (for 1941).

20. Takei (1887–1972) maintained a relationship with Columbia University during the postwar years. While serving a term as president of the Columbia Alumni Association in Japan, he encouraged members of the association to contribute funds and books to the Japanese section of the East Asian Library at Columbia. He visited Columbia and the East Asian Library in the summer of 1959. (I am indebted to Miwa Kai of the Starr East Asian Library at Columbia University for this information.)

21. Supreme Commander for the Allied Powers, Government Section, *Political Reorientation of Japan* (1949), p. 425.

22. See, for example, Shigeru Yoshida, *The Yoshida Memoirs: The Story of Japan in Crisis,* trans. Kenichi Yoshida (London: Heinemann Press, 1961), p. 154, as well as the section cited on p. 133 (for rank exaggeration of the roles played by Art Bisson and myself).

23. For the report minus the recommendations, see *Report of the Mission on Japanese Combines* (Report to the Department of State and the War Department, March 1946), Part 1, "Analytical and Technical Data." For the recommendations (Part 2 of that report, which was classified for many years), see Hadley, *Antitrust in Japan* (1970), appendix 9. The Navy Department, while it was a participant in SWINCC, elected (as noted earlier) not to participate in the "Mission to Eradicate Excessive Concentrations of Business Power in Japan."

4. Deconcentration Continues

1. Eleanor Hadley, *Antitrust in Japan* (Princeton, N.J.: Princeton University Press, 1970), p. 93 and 98.

2. A somewhat amazing observation considering the earlier recommendations of his own Mission (see pp. 113–114).

3. Again, I thank Marlene Mayo for having tracked down this letter and related documents.

4. This wording may make it seem that Japan never had known "democ-

racy." There was, of course, the frequently noted period of "Taisho Democracy" (1912–1924). But how does one have democracy with a divine emperor, when suffrage is extended to the male population only, and when the extension of male suffrage was immediately followed by added powers being granted to the police?

5. At the field level, another notable figure was Carmen Johnson in Shikoku, who recorded her experience in *Wave Rings in the Water: My Years with the Women of Postwar Japan* (Alexandria, Va.: Charles River Press, 1996). Beate Gordon, too, has recorded the impact she had on the inclusion of women's rights in the new Japanese constitution; *The Only Woman in the Room* (Tokyo: Kodansha, 1998).

6. This was particularly noticeable in the procurement area: one official of a Japanese trading company even carried a business card giving his address in the lower corner as: "Procurement Division, Military Government, Headquarters 8th Army"; Hadley, "Trust Busting in Japan," *Harvard Business Review,* June 1948, pp. 430–431.

7. "My Personal History," published in the *Nihon Keizai Shimbun* (part 13, March 13, 1996).

8. Another example might be found in the two volumes *Dokusen Kinshi Seisaku Gojunen Shi* (Fifty years' history of fair trade policy), published by the Japan Fair Trade Commission in 1998. Of the two SCAP staff photos included, one is of Ed Welsh's predecessor, the first chief of the Antitrust Division, Posey Kime, and the other is of Eleanor Hadley.

9. Andrea Boltho, *Japan, an Economic Survey, 1953–73* (Oxford: Oxford University Press, 1975), p. 9.

10. Shigeru Yoshida, *The Yoshida Memoirs: The Story of Japan in Crisis,* trans. Kenichi Yoshida (London: Heinemann Press, 1961), p. 154.

11. See Mark Mason, *American Multinationals in Japan: The Political Economy of Capital Controls, 1899–1980* (Cambridge, Mass.: Harvard University Press, 1992), especially pp. 243–252.

12. Theodore Cohen, *Remaking Japan,* pp. 429ff.

13. Jerome B. Cohen, *Japan's Postwar Economy* (Bloomington: Indiana University Press, 1958), p. 90.

14. For detailed discussion of these laws, see Hadley, *Antitrust in Japan.*

15. *Newsweek,* December 1, 1947, pp. 36–38, cited in ibid., p. 135.

16. A portion of his Senate remarks, cited in Hadley, *Antitrust in Japan,* p. 137.

17. Ibid., p. 141.

18. *Congressional Record,* February 17, 1948, p. 136, as cited in Hadley, *Antitrust in Japan,* p. 142.

19. "Even a cursory examination of the 325 firms . . . indicates the kinds of problems the staff encountered in compiling the list. While a sizable proportion of firms on the list fell within a plausible "excessive concentration of economic

power" definition, there were large numbers that did not"; Hadley, *Antitrust in Japan,* pp. 113–114.

20. Ibid., p. 134.

21. The Soviet Union made off with striking industrial removals of its own in Manchuria.

22. Eleanor Hadley, "Trust Busting in Japan," *Harvard Business Review,* June 1948, pp. 425–440; see also "Japan: Competition or Private Collectivism?" *Far Asia Survey,* vol. 18, no. 25, December 14, 1949.

23. Hadley, "Trust Busting in Japan," p. 437.

24. Ibid., pp. 426–427.

25. Ibid. p. 426.

26. Ibid., p. 428.

27. Ibid., p. 438.

28. Among others, G. C. Allen's book *A Short Economic History of Japan* (London: George Allen & Unwin, 1946) was long considered required reading for English-speaking students interested in the Japanese economy.

29. These quotations are from Allen's handwritten letter to me, dated November 30, 1948.

30. See T. A. Bisson, *Zaibatsu Dissolution* (Berkeley: University of California Press, 1954).

5. The United States in the 1950s and Beyond

1. Hans Baerwald, a Government Section colleague, also under a cloud, chose at the time to ignore the cloud and go academic. He taught at U.C.L.A. Subsequently he told me how much he regretted never getting his name cleared.

2. Michael Schaller, *Douglas MacArthur, the Far Eastern General* (New York: Oxford University Press, 1989), p. 121. See also John W. Dower, ("Yoshida in the Scales of History," in *Japan in War and Peace: Selected Essays* (New York: The New Press, 1993, p. 217), who mentions the same quote from MacArthur. Others have expressed similar impressions of Willoughby. See, for instance, Theodore Cohen, *Remaking Japan,* pp. 87ff. Even Cohen professed astonishment at the extent of Willoughby's "leftist" (and Jewish) conspiracy claims, which Cohen realized fully only in the 1970s when he was able to view Willoughby's previously secret papers. Willoughby had advanced these views more publicly in Japan, in a book called *Shirarezaru Nihon Senryo* (The unknown occupation of Japan), in Japanese (Tokyo: Shincho Shobo Press, 1973), where he included several pages on one Eleanor Hadley.

3. My reference here was to the former chairman of the HCLC, whose views on U.S. deconcentration policy were discussed earlier (chap. 4).

4. Shigeto Tsuru was a research assistant in the Economics Department when I arrived at Harvard the fall of 1941.

5. Mrs. Ariga was posthumously honored with the publication of a memorial volume, *Ariga Michiko Tsuito Bunsho* (Ariga Michiko: A memorial anthology), published by the Commercial Law Center (Tokyo, 2000).

6. A national junior college, one of very few such institutions in Japan.

7. *A Study in Comparative Law,* sponsored by the Institute of Comparative Law of New York University School of Law (Dobbs Ferry, N.Y.: Oceana Publications, 1966).

8. Hadley, *Antitrust in Japan,* p. 21.

9. Comptroller General of the United States, *United States–Japan Trade: Issues and Problems,* Report to the Congress, 1979.

6. Reflections

1. As Ted Cohen has aptly described, Willoughby did not like other democratic reforms of the Occupation either, including the rights of labor organization (*Remaking Japan,* pp. 92–93).

2. "Bonus marchers" were veterans who came to Washington at the depth of the Great Depression to lobby for Representative Wright Patman's bill promising a bonus dependent on length of service. The bill passed the House on June 16, 1932, but was defeated in the Senate on June 18. President Hoover ordered MacArthur to clear the marchers out.

3. *Congressional Record,* February 17, 1948; as cited in Hadley, *Antitrust in Japan,* pp. 141–142).

4. Herbert Block, *The Herblock Book* (Boston: Beacon Press, 1952).

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Index

Note: EMH refers to Eleanor M. Hadley; page numbers in *italic* refer to tables.

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Eleanor Hadley is an economist whose experience of Japan began as a college student during the late 1930s. After completing her Ph.D. course requirements in economics at Harvard University, during World War II, she became a specialist in Japanese industrial organization, an expertise that catapulted her into the midst of the U.S. government's democratic reform efforts in the postwar Occupation of Japan. That experience motivated her doctoral dissertation topic. In addition to her long service as a senior U.S. policymaker working on Japan, she has had a distinguished career as a university professor, teaching economics at Smith College, George Washington University, and the University of Washington. She is the author of *Antitrust in Japan* (Princeton University Press, 1970), a seminal work that remains a classic source.

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