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SOME ASPECTS OF EXPENDITURES OF THE JAPANESE SELF-DEFENCE AGENCY

By

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I. Characteristic Aspects of The Defence Agency Expenditure As Seen From Audit Report.

In January this year (1955) the Superintendent of the Board of Audit is reported to have drawn the attention of the Chief Secretary to the instances of the government budgetary funds not being expended effectively, mentioning three major such instances, in which wasteful expenditures by the Defence Agency in connection with the procurement of various materials and equipments were cited together with the extravagant granting of subsidies to provincial public communities and overgenerous purchases of food-stuffs from overseas. It was pointed out, in this connection, that, as the expenditures for defence, or, in other words, military expenditures, including supplementary budgetary appropriations and reserve funds, expended since the inauguration of the Police Reserve in 1950, cases of improper spending for the procurement of war supplies as well as of official corruption have remarkably mounted in number. Recently it was reported that the offices of the Procurement headquarters of the Defence Agency are daily being flocked by hordes of businessmen and contractors, that the prices provisionally set by the Procurement officials for the purchase of supplies freely "leak" to the parties interested, and that the procurement plans, including items and suppliers of various supplies, set by the Army and Navy staff officers, respectively, are known before they come to the knowledge of the officials of the Defence Agency. Such, however, is not a phenomenon seen only after the war; in the years before Japan's defeat in the last war, cases of improper budgetary appropriations of military funds were not few. Seeing that military expenditures in nature would cover, to a considerable extent, the effects of a business depression, it should be only natural that businessmen vie among each other for a share of money to be spent. This, in turn, tends to strengthen the position of one who holds the money and similar cases of corruption will occur. Seen from this angle alone, the recent

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instances of official corruption including bribery cases appear to be of the same category as before the war.

A careful perusal of the papers released by the Board of Audit, however, convinces us of the existence of some hitherto-unknown peculiar aspects involved in the post-war cases of misdemeanor. For instance, the Superintendent of the Board of Audit, alluded to earlier, said, in part, in his explanation :

“.....Many instances were seen in which procurement was made for purposes not considered urgent and to an amount evidently over-high, which was obviously incompatible with the existing status of unit organization and training situation, as well as cases of wasteful spending resulting from an insufficient understanding of the functional properties and standards of the war supplies ordered” Already in the “Audit Report for the Fiscal Year, 1952-53,” we find the following passages :

“Whereas, with regard to the procurement of non-urgent supply items for the Security Forces, it is stipulated that the personnel of the corps and necessary supplies be implemented according to a fixed program patterned after the American counterpart, and that the fixed number of personnel and supplies be divided by the projected years of wear, the result thus gained serving as the basis level which should be filled by replenishment each year; the general tendency has been so that the fixed number of personnel and equipment has been automatically procured without the actual situation and needs in existence.” Quoting actual instances of such wasteful and unrealistic spending as cited in the same report, the following could be mentioned :

The Army staff of the Security Board stipulated that the number of wire operation vehicles to be held by the Board should be fixed at sixty, all of which were to be purchased by the fiscal year 1952-53 and contracts therefor were duly entered into (To break down the number: 54 vehicles in all to one district communication battalion and one communications organization battalion, each battalion consisting of three companies, and nine vehicles being allotted to each company, and four to one communication operation battalion and two for reserve.). In addition to this, six vehicles (unit price: ¥ 2,922,000, making the total ¥ 17,832,000) were purchased in December, 1953 from the Isuzu Motorcar Co., Ltd. However, actually, the Communications Organization Battalion consists of two, instead of three, companies, hence eighteen vehicles will be the proper number to be allotted, making the total fifty-one, instead of sixty. Thus, nine vehicles are left out as a surplus. Even allowing for five or six new cars to be supplemented, it would seem that no new purchases were required for the 1952-53 year.

Another instance: The Army Staff decided that 3,787 anti-air cloth plates would be needed for the entire 110,000 personnel of the Security Force. For this purpose, 4,656 were purchased up till 1952-53 year, followed by the purchase of 131 to fill up the gap and another supplementary 898 in the 1953-54 year. In the 1954-55 year, 898 for replenishment purpose were purchased, making the total 1,927, amounting to ¥12,429,150 in value. The fact, however, is that these anti-air cloth plates are not frequently employed in the course of unit exercises; not only this, but actually the program of training was first formulated at the time the Board of Audit came out to launch an on-the-spot probe of the situation. It is evident, from this, all these expenditures were superfluous.

Besides the above-mentioned cases of purchases of non-urgent items, numerous instances may be cited of purchases of supplies equipped with unnecessarily-high efficiency and of those of superior efficiency being prevented from working to the fullest of such efficiency when combined with those of inferior efficiency. The Report, already referred to, points out that the reason for this should be found in the prevailing tendency to "imitate indiscriminately the standards used by the American armed forces, disregarding the actual situation of the Security Force."

To prove this, the instance of the purchase from the Fuji Trading Company of 67 sets of motor-generators (for communication apparatus) to the amount of ¥86,412,000, could be cited. As it was found that the standards of the motors followed those of the American armed forces, the generators, out-powered, were found to be unusable in combination with the motors. The communication apparatus, for which these generators are to be used, has not yet been purchased, with the consequence that these generators cannot be offered for actual uses and just stored away. To add up to this, loans were subsequently made by the Americans, and, now, the situation is that a total of 119 sets of generators are idle and stocked.

Again, the case of the purchase from the Kokusai Electric Company of 903 vehicular wireless sets at a cost of ¥1,173,523,300 could be cited. These, on the basis of an ad vertum translation of American specifications, were intended for use both on truck and tank. When used on truck, 13-volt would be used, and, on tank, 24-volt. And, for this purpose, two different kinds of convertors were purchased. Japanese stipulation, however, provides that motor-generators of a different pattern be mounted on tank, and, thus, it is seen that 24-volt convertors, purchased on the basis of a translation of American specifications, were rendered entirely useless and unnecessary.

The reason why the present writer has taken the trouble of introducing several instances of improper fund appropriations cited in the Report of

the Board of Audit is because, specifically, he is inclined to think that they serve to bring to the fore certain important aspects of post-war military expenditures. This was already pointed out in the Report for the 1952-53 year, when it asserted that "It was due to the fact that the purchase program of the Agency was put to execution in utter disregard of the actual condition relative to the personnel, installations and mechanical equipment" that the Agency tended to purchase supplies for non-urgent purposes or to store them away unused. It would be said that the 1953-54 Report went a step further to clarify the causes for such irregularities. Imitation of American army standards alone, of course, should not be construed as constituting the factors which contributed to the deplorable situation being brought about. Further, a careful perusal of the Report tells that such situation had existed even before 1952. The 1950-51 Report (at the time the Police Reserve was inaugurated.) contains passages indicative of factors involving something more important. Of ¥20,000,000,000 appropriations for the Police Reserve, ¥13,200,000,000 was actually spent within the prescribed year, ¥6,700,000,000 was left over to the following year and ¥20,000,000 was found unneeded. This, of course, could be attributed to the confusion following the inauguration of the corps, and, to substantiate it, the fact would be mentioned that the sum ¥20,000,000,000 appropriated for the police Reserve expenditures was transferred from the national bond expenditures and that spending had been in charge of the National Rural Police until the business was taken over by the Police Reserve on November 30, 1950. The following passage in the Report, however, should not be overlooked:

"The major items in the amount left over to the following year comprise ¥3,862,000,000 for purchasing apparel and vehicles and ¥2,851,000,000 for erecting establishments. That such a vast amount had to be left over was due to the inadequacy of Japan's production capacity to meet big demands. The situation was the worst with regard to communications machines, for none of this particular category could be delivered within the prescribed year (Refer 1950-51 Audit Report)." Probably this bespeaks the circumstance that the very inauguration of the Police Reserve was not prompted by a national will, and, therefore, was not backed by a nationwide economic support. This, of course, refers to the inaugural period, during and after the Korean War, when the American Army poured Japan's industry, with special procurement orders while the Japanese Government generously financed and invested large funds in the post-war munitions industry, which, thus encouraged, witnessed a phenomenal expansion. The expansion has since continued so steadily that Japan's production capacity,

especially concerning the production of ammunition, fire-arms and guns is now several times as the Defence Agency demands. (Refer Table I) This situation has naturally prompted manufacturers of Japan to campaign for the acquisition of munitions orders from America, while, at the same time, they are madly placing hopes on additional economic aid to come from America, as well as endeavoring to introduce new technical knowledge about atomic power and the manufacture of jet aircrafts.

Table I. Comparison of Japan's Production Capacity per Year of Defence Industry and Demands (in Peacetime) of Self-Defence Corps
(Unit 1,000 pieces)

	Production capacity per year	Demands of Self Defence Corps
Ammunition		
4.2 in. trench-mortar shells	500	100
81 kg. trench-mortar shells	1,200	270
60 mm. trench-mortar shells	600	370
155 mm. cannon shells	400	60
105 mm. cannon shells	800	100
Rocket shells	900	1,100
75 mm. no-reaction cannon balls	200	90
0.3 in. bullets	100,000	80,000
0.5 in. bullets	10,000	4,100
Cannon Pieces		
Rocket guns	6,000	800
No-reaction cannons	1,500	50
4.2 in. trench-mortars	500	50
60 mm. trench-mortars	500	100

(Defence Year Book 1955)

This is inevitably giving rise to cases of budgetary misappropriations and official corruption, which differ in nature and shape from those often seen right after the inauguration of the Police Reserve. To witness, are not the manufacturers, unduly scared by a statement attributed to Mr. Ross, to the effect that the "special procurement orders during the current fiscal year ending June 30 will amount to only \$ 10,000,000 " clamoring for everything in order that their possible loss be covered by placing their surplus production establishment and stocks under State ownership? In short, it may seem proper that the problem of budgetary irregularities, often involving cases of bribery, relating to the expenditures of the Defence Agency, is to be viewed from the angle of the political and economic de-

pendency which the present-day Japan is subjected to.

II. Dependency As Seen in The Defence Agency Expenditures.

It has already been mentioned that, at the time of the inauguration of the Police Reserve, the lack of a corresponding national economic foundation to support such a step brought about an increased amount of budgetary funds turned over to the subsequent year. In spite of a change of circumstance in later years, however, the turned-over amount of the Defence expenditures, especially the expenditures of the Defence Agency, continued to rise, as shown in Table II.

Table II. Defence Expenditures and Amount Turned Over.
(Unit ¥ 100-million)

	1952			1953			1954		
	Bud- get	Turn- ed over	Ac- tual	Bud- get	Turn- ed over	Ac- tual	Bud- get	Turn- ed over	Ac- tual
Defence outlay	650	—	650	620	91	—	—	—	—
Defence Agency expenditures...	591	152	743	613	280	893	742	252	994
Security expenses	560	—	560	—	302	302	—	100	100
Peace restoration	110	100	210	30	58	88	150	34	184
Allied property	100	—	100	4	96	100	26	74	100
Total	2011	252	2263	1267	727	2094	1502	502	2004

Of course, some items of the weapons and equipment in demand for Self-Defence Force may not be produced by the present-day munitions industry of Japan. In other items, at the same time, production may well be in excess of the demand. Such unbalanced state, generally speaking, should invariably be expected in munitions industry, for here speculative factors work more openly. In this light, it may be called unjust to find the large amounts of turned-over budgetary funds in the failure of production to meet the munitions demand.

The present writer, in this connection, is of the opinion that the large amounts of Defence budgetary funds turned over should be considered to be inseparably related to the afore-mentioned increasing instances of inappropriate budgetary disposals. And the reason for all this, in his view, should be sought in the fact that Japan's Defence budget is directly linked to the American defence strategy with the result that the compilation of the budget is made without a definitely defined autonomous foundation.

Referring to Table II, it is obvious that, while mere one hundred or two hundred million yen is sought after for social welfare, educational or

relief funds, no less than 500-million to 800-million yen, originally allotted for Defence purposes, is annually being turned over unused. Such, indeed, should well be said to be a case of undue lassitude in the application of legal provision permitting the unconsumed budgetary funds to be turned over. The perennial existence of large amounts of such turned-over funds, especially in regard to the expenditures of the Defence Agency, it has been pointed out, is, no doubt, due, to a large extent, to the carelessness in the compilation of budget and to the practice that non-urgent plans are liable to be hastily budgetized. This perfectly coincides with the view of the Board of Audit expressed in its Audit Report in regard to irregularities in spending. Then, why is such situation engendered in relation to the compilation of the Defence Agency budget?

That the compilation of the Defence Agency budget is often undertaken without any clearly-defined foundation or criterion of computation has already been pointed out by even the officials of the very Agency in charge of the budgetary spending.

It is obvious that the organization and equipment of the Self-Defence Force Units should afford the basis on which a budget is compiled, and, in order that such is made practically feasible, there must be available a more-or-less definite plan and future prospect of the unit organization and its equipment. Take the instance of the communications unit. The number of companies composing a unit, and the number of field wireless sets, and of trucks and jeeps to be allotted to each company should be clearly known. The same applies to the case of a tank unit. How many companies are to be set up to compose a unit, and how many guns and how many accompanying automatic cars should be allotted to each company? Such, indeed, constitutes one of the fundamental considerations in organizing a fighting unit, which, in its turn, is directly linked to the highest strategical and tactical plans. The plight of the Japanese Government and its Defence Agency, as far as the present circumstances are concerned, is that neither of them is in a position to make decisions on these plans on its own merit. It is seen, thus, that the Defence Agency, in undertaking compilation of its budget, lacks a clearly-set basis on which the work is to be advanced.

Secondly, the expenditures for installation, which are in size comparable to those for equipment, are spent for camps, fire-ranges, drill grounds, supply depots, hospitals and schools. In certain cases, the Self-Defence units employ such camps and drill grounds turned over by the American forces; or, in certain cases, installations are in joint use by both the Japanese and American units. In all these cases, the estimates of expenditures for this particular field should unavoidably be affected by the consideration

whether such installations presently in use by the Americans are going to be turned over or not; or whether any additional American units are to be withdrawn, or, whether, on the contrary, the American forces are about to be reinforced. Clear prediction in such regard, however, is often out of question, hence the inevitable ambiguity in the entire aspect of the Defence Agency budgetary estimates. In case of a joint use of an installation, it may even be assumed that budgetary money, separately defined under Defence Agency expenditures, Japan's share of defence money and various expenses for security purposes are mutually appropriated. A recent instance may be cited in this regard. The Air Self-Defence Force made its debut in 1954, with its budgetary estimates standing at ¥4,500-million, providing for 6,287 Self-Defence officers and 478 staff officials. One of the plans under contemplation provides for the training of its pilots, land crews and radar operators at American air bases. In the course of the compilation of the budget for the 1955-56 fiscal year, the Japanese Government, in return for the acceptance of its request for a reduction of its share in defence funds, had to accede to the American demand that the runways for Jet aircraft be expanded. As it is presumed that ¥7,900-million provided for in the general defence outlays is inadequate to fully satisfy this demand, the authorities of the Procurement Agency are understood to be contemplating, in case expansion of the runways to the extent the Americans demand is found to be practically out of question, to undertake at its own expenses to expand the American airfields it is now permitted to use. This single instance is fully indicative how far items involved in the Defence Expenditures may, under necessity, be mutually appropriated.

Thirdly, the problem of the loan and grant of arms is to be taken up, for this is another factor which makes the contents of the defence budget ambiguous. Prior to the conclusion of the MSA agreement between America and Japan, there existed no definite contract or provision for the loan of arms, and the use of American arms by the Japanese was tacitly acquiesced to. Under such circumstances, the Americans naturally exercised the right of supervision to its fullest extent involving even the use of arms. The MSA agreement provided that Army weapons be loaned to the Japanese units. However, the American Military Advisory Group stationed in Japan is even now invested with the right (1) of determining the shortage of munition items existing in that country and advising that country to prepare to request for military aid; (2) of advising and assisting the recipient country regarding the registration, supervision, storage and proper use of arms delivered; (3) of supervising the condition of use and maintenance of the equipment offered by America, of making a report thereon and

of taking such measures that these are employed for the attainment of the prescribed purposes and (4) of promoting the establishment and increase of training facilities on the part of the recipient country in order that its dependency on America be lessened in regard to troop training. Concerning naval vessels, it is provided in the American-Japanese Agreement on the Loan of Naval Vessels that all such naval vessels and their equipment belong to America, and that the Japanese Government, without prior approval of the American Government, may not discard or remodel the naval vessels and their equipment, tools, reserve and exchange parts, or may not reveal drawings, specifications and other informations concerning them.

In the light of these facts, it is evident that, although, after the conclusion of the MSA agreement, a certain liberty was allowed to the Japanese Government concerning the use of arms delivered by America, the view and attitude of either the American Military Advisory Group in Japan or the American Government greatly affects the quantity and category of arms to be delivered to Japan. Again, the use and storage of arms is influenced to a large extent through the supervision, examination, advice and report concerning the use of arms. Now, the issue at stake is the fact that the parts, replacement items and various accessory equipment (including trucks, jeeps, trailers, communication apparatuses, etc.), excepting the finished arms, are stipulated to be supplied by Japan, and, as such, are to be mentioned in the budgetary estimates of the Defence Agency. It goes without saying that finished arms and their equipment are mutually connected closely and inseparably. In case, therefore, the American intention regarding the delivery of finished arms and their use and storage is not revealed to the Japanese authorities concerned, the latter would inevitably find themselves in a highly awkward position relating to the compilation of the Defence Agency budget. For instance, the number of cannons to be delivered to a certain unit will inevitably affect the number of trucks, automatic cars, wireless sets and other equipment fixed for that unit. If the former is not definitely known, the Self-Defence Force authorities may not know how to adequately prepare necessary equipment. Actual cases, in this regard, are cited below.

The yearly running expenses for the Land Self-Defence Force for 1954 are computed as follows :

Personal	¥17,650,000,000
Special allowances	¥ 2,410,000,000
Food provisions	¥ 3,860,000,000
Non-personal	¥10,910,000,000

Others	¥ 190,000,000
Total	¥ 35,000,000,000

(From Defence Year-Book)

Now, taking up the Non-Personal expenses as mentioned in the above Table, the figure includes ¥2,100-million out of ¥4,500-million, which is supplementary to a total sum of ¥34,400-million for 110,000-man equipment. The balance of ¥2,400-million is provided for under the expectation that America supplies Japan with vehicles, communication apparatuses and installation machines, in particular. Thus, it is seen that this specific item is based on a highly ambiguous supposition.

Again, the initial expenses for the increase of 20,000 men for the 1954 fiscal year are computed as below :

Equipment	—
Supplies	¥ 1,100,000,000
Clothing	¥ 800,000,000
Installations	¥ 4,700,000,000
Others	¥ 300,000,000
Total	¥ 6,900,000,000

(From Defence Year-Book)

That no expenses are provided for the equipment requires explanation. Actually, sum of ¥14,400-million is computed for this item. The absence of this in the above Table, however, is due to the fact that about ¥5,500-million worth equipment is expected to be supplied by America while the stocked equipment is to fill up the balance of ¥8,900-million. The expenses for installations, it is explained, were curtailed under expectation that American installations would be utilized.

The important problem in connection with the loan or delivery of arms lies in the fact that the entire range of arms, which most explicitly represent the progress of military technique and which often determine the organization of combat units and even their operational objective, is supplied by America. True, it is a fact, as openly admitted by the officials of the Defence Agency, that the fighting efficiency of the Self-Defence Force, particularly regarding its fire power and maneuverability, far surpasses the defunct Imperial Army. Speaking of the maneuverability, for instance, a number of jeeps, trucks, communication apparatuses and bulldozers are allotted to infantry, artillery or engineering regiments. A comparison of the fire power of the defunct Imperial Army division and the present District Corps, respectively is made in Table III.

Table III. Fire Power of Defunct Imperial Army and Self-Defence Force Compared.

Defunct Division		District Corps of SDF		Remarks
Rifles	21,500		10,675	Firing volume per minute: District Corps is about 10 times that of old Division.
Machine gun	471		591	Firing volume per minute: District Corps is about 5 times that of old Division.
Battalion cannon Rapid-firers Regiment cannons Grenades	488	Rocket firers Non-reaction cannons Trench-mortars	785	Firing volume per minute: about 5 times.
Field guns	48	Howitzers	72	District corps has more large-calibre guns.

Further, a comparison between the arms delivered to Japan under the MSA Agreement and those home-made arms delivered to the defunct Imperial Army in 1937-38 shows that the former category is superior both in efficiency and quantity as well as category. This is especially so with regard to cannons, wireless apparatuses, trucks and trailers.

Of course, it is undeniable that, even with their superiority over the old Japanese Army equipment, these arms handed over by America are considerably inferior to their counterparts actually being used by the American fighting units, and that they lag behind the standards of progress being attained by world military technique. All in all, however, it is easy to see that Japan's moves toward re-armament on the strength of American arms and equipment in surplus loaned under a specific provision of agreement is liable to create various repercussions to bear upon the compilation and execution of the Defence Agency budget. For one thing, the use of American equipment, which, in nature, is generally "luxurious" as compared to the native one, may unavoidably lead to extravagancies in the execution of the Defence budget which has already been pointed out by the Board of Audit. Secondly, the impossibility of prediction about the quantity, kinds and prices of the arms scheduled for delivery will easily induce confusion and lack of premeditated plans regarding the purchase of materials and equipment to match such arms. Again, considerable time will be required before the structure and operation of highly developed weapons coming from America is fully familiarized. In other words, overdue time taken for trial manufacture, determination of standards, formulation of specifications and

assessment of original prices prior to placing orders with necessary arms and munitions will easily result in having a large proportion of the budgetary appropriations left over to the next year.

The present writer, of course, does not assert that if the arms are produced domestically instead of being loaned by a foreign country, such extravagancies in spending will cease to occur. That the dependency and lack of properly-defined programs on the part of Japan's munition industry is causing a surplus of production facilities has already previously been pointed out. This may be said, specifically, about the scheduled "home production" of Jet fighters spread over three years from July this year. While it is simply the process of assembling, amounting to about 40 % of the total production cost, that Japan, shares under the name of "home production", it is easily predictable that Japan, in future, will be called upon to pay tremendous sacrifices in the field of aircraft manufacture. Aircraft wears fast. Its maintenance and replacement requires lots of money. Not only that but the rapid progress of aeronautical technique involving the need for devising novel types and designs is sure to make the problem of mass production a highly knotty one. Actually, a certain company, which was quick enough to invest on a major scale for aircraft production, is reported to have suffered a big loss due to a drastic change of the "Defence Plans." It is known that F 86 Jet fighters are no longer the first-line planes, their place being taken over by F 100 and 102 fighters. Or, the case of Italy, member state of NATO, may be cited. Italy planned to assemble F 86 fighters. Her plan, however, ended up in utter failure because of too high cost involved. These instances amply point to the dangers inherent in aircraft industry. Probably the need to cover the loss already suffered in the investment made in this industry may prompt Japan to continue production of aircraft in spite of such dangers. In a word, Japan's aircraft industry is destined to cover a danger with another, resulting in doubling the loss involved, which, in turn, will eventually entail a larger financial burden. And, the point here is that Japan's aircraft industry is in such a position that it is forced to function under special subcontract with senior American industrialists with their outdated production facilities and investment risks. Such, indeed, is the undisguised shape of Japan's defence industry in general!

Irregularities and extravagancies in spending defence budgetary funds, as referred to previously, stem from the abject dependency of the defence industry, or, more fundamentally, of the national economy of Japan.

III. The Defence Agency Expenditures And Japan's Shares of Defence Expenses.

Although it is undeniable that cases of wasteful spending of, and irregularities in, the expenditures of the Defence Agency have, in most instances, resulted from the dependency of the entire structure, as has already been pointed out in the preceding paragraphs, the problem involves a certain other aspect, which, comparatively speaking has escaped attention. The existence of such is insinuated, for one thing, in the Report compiled by the Board of Audit. The point in question pertains to the fact that, because of the resistance, conscious or unconscious, on the part of the nation being voiced against the rearmament of Japan, which is steadily being pushed ahead irrespective of the people's sentiment, the projected reinforcement of the personnel and equipment is apt to lag behind the plan, with the result that supplies and paraphernalia are liable to be purchased in excess of actual needs. The reminder in the Audit Report for 1952 to the effect that "the plan for the purchase of supplies are being executed in disregard of the actual situation pertaining to the personnel, equipment and machines," is sufficient to suggest it. In August 1952, the army staff of the then Board of Public Security purchased 7,388 sets of folding cots for field hospitals for ¥18,987,160. The number of such sets actually needed for 75,000-man Security Force, however, ought to have been 2,888 sets. Even considering a subsequent increase of the personnel by 35,000 men the number could have been 3,408 sets, with the balance of 3,980 being registered as "purchase in excess." Question naturally arises as to what the Public Security Board authorities were then expecting its personnel to come up to. The 7,388 sets would have been sufficient to accommodate no less than 190,000 men. Even allowing for a certain number of reserve, it would be safe to presume that the authorities were assessing the number on the supposition that the personnel would be around 140,000 or 150,000. Actually, however, the increase was to 110,000 men from the initial 75,000. Other similar instances could be cited. As has been mentioned in Chapter I of the present study, the Audit Report for 1953 points to the excessive purchase of anti-air cloth plates for air signal. While the fixed number of such signal plates to be needed by 75,000-men Force would be 7,787, the major part of them had already been purchased during 1952. Besides, purchases in excess of the fixed personnel were previously being made since the time the Force comprised mere 75,000 men. Farther, wire operation cars were purchased in numbers to provide for three companies of communications battalion, whereas, actually, such battalion consists of mere two companies.

In view of these facts, it would even be suspected that the authorities concerned had to purchase supplies and equipment under anticipation that certain military operations on the strength of personnel in excess of actual numbers were being contemplated. More explicit instances pertain to military establishment and lots of ground specially requisitioned. While it is widely known that the nation is against the expansion and even the existence of American military bases on Japanese soil, there should be no question of differentiating between the ground to be used by the American Force and the Japanese Self-Defence Force, respectively, as seen from the viewpoint of the agreed joint use of these American bases in Japan. It is a fact, further, that vigorous opposition is being raised against the purchase of ground by the Defence Agency (including the lots for army barracks, drills and hospitals, etc.) This could be known from the reminder in the 1953 Audit Report to the effect that one reason for the large amount of the Defence Agency appropriation being left over to the next year is that "unexpectedly long period of time was needed for the selection and purchase of ground intended for the construction of necessary military establishment."

The Board of Audit, of course, is in a position to see to it that money be spent adequately by the Self-Defence Force. From the standpoint of the nation, however, the issue is pregnant with something more than just that. Speaking from the fundamental principle, the Government effort for the rearmament of Japan runs counter to the provisions of the Constitution, and, in this sense, the nation should have a say about the way the Defence Agency spends money. There is a limit, thus, to the analytical examination of the expenditures spent by that agency. The nation's position in regard to the financial appropriations made available to the Defence Agency should be taken into consideration in any attempt at clarifying the intrinsic nature of the Defence Agency expenditures.

Repeatedly in the past, the fact has been pointed out that military expenditures are liable to bring pressure to bear upon the national economy, and this aspect is brought to the fore most clearly in the 1955-56 budget. Indications are that the relationship between military spending and national economy will be clarified more than ever before. The first effect was seen on the much-publicized Government program for housing construction. Nominally, the Government appears to be spending more on housing; actually, however, spending per unit of government-sponsored dwelling houses is curtailed in addition to the fact the area of land allotted per unit is mere 6.5 *tsubo*. Stricter restrictions are to be imposed on the financing by the Housing Financing Corporation. Besides, substantially affected are Government spendings on the measures for unemployment relief, relief

for destitute people and for tuberculosis patients, for educational establishments, for forestation and irrigation, for natural disaster rehabilitation and for increased production of foodstuffs, for expenditures for all of these projects, for which the national demand is high, are to be curtailed both nominally and actually. These expenditures, urgently needed for maintaining the national living standard on a reasonable level, are actually disbursed in the form of subsidies to local communities. A substantial reduction in the amount of these subsidies, coupled with inadequate tax transference to prefectural governments for the current year, is about to usher in an unprecedented situation, as far as local financial condition is concerned, that financial deficit recorded by local prefectural governments will amount to no less than ¥14,000-million. As responsible for all this should be counted the irresponsible government attitude in compiling its budget, for, while peremptorily forcing the nation to materially suffer from the curtailed expenditures on social welfare as housing projects, the Government is all too eager to live up to its arbitrary pledges given the United States that it redouble its effort to reinforce Japan's defence setup. This circumstance is most unmistakably indicated in the 1955-56 budget. Critics have already referred to this particular aspect in their articles so far published in newspapers and magazines. No need here, therefore, to further elaborate on the question. Attempt at clarifying the nature of the Defence Agency expenditures will be confined here to an examination of various relevant facts which came to the fore in the course of the budget compilation for the 1955-56 fiscal year.

Needless to say, the two major issues which stood in the way of this budget concerned the payment for the surplus wheat purchased from America and the curtailment of Japan's share in defence expenditures. The latter issue assumed such grave proportion that its settlement was considered to be the prerequisite for the compilation of the budget. The situation served to convince the nation at large of the extent to which the Japanese Government relied upon the United States. The issue of Japan's share in defence loomed so large that the Japanese people had the impression that the entire question of budget compilation was focussed upon this single aspect, and, then, it was inevitable that what Japan had to spend for boosting its defence structure should stand diametrically opposed to the furtherance of national welfare. However, so far as the Hatoyama Government stood pat on a reduction of Japan's defence share, the general impression gained was that it was fighting hard to protect the national interests. On the other hand, the issue was viewed from still another angle by a certain other faction of the people, who were eager to demand a "rearma-

ment that befits an independent nation." To these people, the question at stake comprised a confrontation between Japan's defence share and the Defence Agency expenditures, or that between the Hatoyama regime and the American Government, including its military group. In the following lines, attempt will be made to clarify the stand of the American government or its military clique, and, further, the position of the Japanese government under Democratic Party leader, Ichiro Hatoyama, and a faction of people who favor rearmament, supporting him, which became evident in the course of the much-retarded 1955-56 budget compilation.

In the stand held by the American government while the Japanese budget was in the course of compilation and in the statements and declarations made by high officials of the American government and certain military representary representatives, who, in succession, visited Japan during this period, it was clearly discerned that the American government authorities were intent upon economizing spending of the dollar, on the one hand, and, on the other, on asking Japan to redouble its defence effort at the sacrifice of the Japanese nation. It may be pointed out, in this connection, that the issue of the purchase of the American surplus wheat has already been utilized by the American government as part of the MSA aid to Japan. Further, the major portion of the payment for the surplus wheat was made available to the Japanese government, against its expressed wish, in the share of a loan, while the remainder was to be used for off-shore purchases in the place of usual special procurement. In spite of a previous understanding that the payment made in the yen for the surplus agricultural products purchased by the Japanese government would not be appropriated for the special procurement in the dollar, the yen currency amounting to ¥14,400-million in the hands of the American government, had, during last year, been used to pay for special procurement purchases, which means that Japan's dollar income had decreased to that extent. Mr. Irving Ross, Acting Assistant Secretary of State, who came to Japan some time ago, is reported to have declared that "special procurement orders to Japan up to June 30 would mount to \$ 10-million." His remark immediately plunged the whole munitions industry of Japan into a virtual panic. He was also understood to have asked the Japanese Government, in exchange for his approval of placing another \$ 20-million procurement orders, to take steps to properly of Japan's munitions industry by purchasing its installations with Government funds, financing funds needed for their maintenance and supplying funds intended for production, conversion and increasing orders to be issued by the Defence Agency. On the other hand, Mr. Harold Stassen, Director of the International Cooperation Administration, and As-

sistant Secretary of Defence Hensel, as press reports said, pointed to the fact that Japan's military expenditures amounted to only 2.5% of the total national income of Japan. Especially, in this connection, the latter was reported to have remarked that an industrially advanced country as Japan should advance the percentage, at least, to between 3 and 4%, that she should maintain a munitions industry on the strength of her own resources, and that future emphasis should be placed on the replenishment of her air force strength. These statements, combined, would offer ample indications as to the intentions of the United States government in regard to her relations with Japan. It needs not be reminded here that, even in case Japan's self-defence is strengthened with Japan's own money, such force would not be recognized by America as a "military unit of an independent country," as witness the peculiar characteristics of the Defence Agency expenditures, of which mention has already been made earlier.

What, then, are the intentions of the Hatoyama Government and the pro-rearmament faction which supports it? It is probably evident, for one thing, that they find in the rearmament program, including the expansion of the Self-Defence Force, a "breakthrough" out of the political and economic "bottle-neck," which confronts Japan at the present stage. It would even be said that such intentions have come up to the fore, most distinctly and positively, than in the days of the Yoshida regime. There are quite a number of instances to substantiate this interpretation. e.g. Premier Hatoyama, on several occasions, has expressed himself in favor of a Constitutional amendment and the enforcement of a conscription system; ex-Director Omura of the Defence Agency, asserting the need for interpreting the provisions of the Constitution in a broadened sense, declared that "there would be no harm if the selfdefence strength is so expanded that it comes to attain a fighting strength." A six-year defence program has been formulated and made public, and Mr. Hatoyama, on the eve of starting on his new tenure as Premier, had intended to appoint ex-Admiral Kichisaburo Nomura as his Director of the Defence Agency. Thus, it is obvious that, as far as the issue of Japan's rearmament and the strengthening of the Self-Defence Force are concerned, there can be no fundamental difference in the stand taken, respectively, by the United States government and the Hatoyama regime. At the same time, however, Premier Hatoyama, in a similar way with his predecessor, Mr. Yoshida, is apparently trying to push ahead his program for rearmament and expansion of Japan's selfdefence force in such manner that money made available through military special procurement and financial aid from America may be spent with as little restraint as possible from across the Pacific. In observance of the basic stand, he

at first expected the MSA aid to come in the form of the dollar aid and special procurement orders. When this expectation failed to materialize, he wanted that two-thirds of the payment for the American surplus wheat be made available to Japan in the form of a grant and the remaining one-third be placed at her disposal by a long-term loan. With regard to the portion of Japan's defence share, again, he asked America that Japan's share be reduced on account of the fact that what Japan outlays for defence consists of tax paid by the Japanese people, and, that, in spite of this, it is placed in America's joint accounts for the use of the Americans. It was inevitable, however, that all such expectations and desires on the part of the Japanese should have failed to materialize, and, the fact which now stands in the face of the Japanese nation is that rearmament programs are being vigorously pushed on in a fashion which is highly disadvantageous to Japan. Herein lies a discrepancy—discrepancy in the method and procedures for realizing their respective intentions, and not in the fundamental issue itself, which pertains to rearmament and strengthening of the Self-Defence Force. In substance, therefore, the negotiations held between Japan and America early this year on the controversial Japan's defence share were more about how Japan's rearmament program be advanced, or, in other words, on how the funds available to the Defence Agency be increased, rather than about a mere reduction of the amount which goes to Japan's share.

With agreement of views having already reached on the strengthening of the Self-Defence Force, why should Japanese and American government officials have confronted so sharply to each other over the issue of a reduction of Japan's defence share? An explanation will, perhaps, be found in the attitude of the Hatoyama government, for it endeavored to fulfill its election pledges by curtailing general defence spending, especially Japan's share in the defence expenditures. Even so, as the Hatoyama Cabinet was trying to increase the Defence Agency expenditures as compared with last year, it appeared as if the real issue existed in the confrontation between the Defence Agency outlays and Japan's defence share, or, in other words, between Japan's national demands and Japan's share in defence funds. Behind the apparent confrontation, it should not be lost sight of, however, that the pro-rearmament factions at work both in Japan and America were closely collaborating in order that the money made available to the Defence Agency be rapidly increased, and that, for that purpose, they came to a compromise on the reduction of Japan's defence share, which stood so closely linked to the Defence Agency expenditures.

To show the process, Table IV is hereby referred to, which indicates the relationship between the Defence Agency expenditures and defence

outlays (consisting of defence share+funds involved in supplying American military units with necessary establishment+expenses pertaining to the American Military Advisory Group in Tokyo).

With regard to the 1954-55 budget as shown in Table IV, it is seen that, both in the case of the draft budget formulated by the Government, and of the initial budget with American desires taken in, the Defence Agency spending was increased to a larger extent than the general defence outlays were decreased.

Table IV. Relation Between General Defence Outlays And Defence Agency Expenditures. (Unit ¥100=million)

	Defence Outlays	Reduction from Previous Year	DA Expenditures	Increase from Previous Year	Total Defence spending
1953-54 budget	620		613		
1954-55 budget					
Draft budget	(559)	(60)	(813)	(200)	1327
Initial budget	584	35	788	175	
Working budget	"	"	743	130	
1955-56 budget					
Original budget plan	(400)	(180)	(800)	(57)	(1200)
Demand by DA (6-Year Defence Plan)			(952)	(200)	
Initial budget	459	125	868	125	1327

While it is unmistakably noted that a rapid increase of the Defence Agency spending represents a fundamental demand on the part of both the Japanese and American pro-rearmament factions, it should, at the same time, be observed that American has agreed to a reduction of Japan's defence share simply as an expedient to speed up the realization of such desire. This perfectly coincides with the American stand indicated in the so-called Allison memorandum, to the effect that "the United States government agrees to a reduction of Japan's defence share to the amount equivalent to a half of the amount in excess of the basic ¥90,000-million expenditures allotted to the Defence Agency." Seen in this light, it should have been a matter of regret, indeed, that, in the 1954-55 working budget, the expenditures by the Defence Agency were cut. In this connection, Assistant Secretary of Defence Hensel may be quoted, who, in March this year, is said to have remarked to the following effect in a way of expressing his disappointment over the election results in Japan, particularly in regard to

the political advances made by the antirearmament elements: "It was extremely regrettable that the Japanese government has taken steps to cut the the Defence Agency expenditures, when last year the United States government agreed to a reduction of Japan's defence share." (Refer the Asahi Shimbun, March 7)

It was only a matter of course, then, that a close contact has continued to be kept between the pro-rearmament factions in Japan and America in a gesture to be assured of an increased spending by the Defence Agency. In his statement, above referred to, Assistant Secretary of Defence Hensel endorsed the stand of ex-Director Omura of the Defence Agency, that "whereas a Constitutional amendment is apparently out of question, at least, for the time being, the government, in spite of it, plans to increase the Self-Defence Force by 35,000 men next year." Mr. Omura even went further to say that it should be possible that the self-defensive strength be possible that the self-defensive strength be raised to a fighting capability within the framework of the Constitution. The Defence Agency budget, after the personnel increase as mentioned above is realized will amount to about ¥90,000-million. This corresponds to the outlays for the initial year under the 6-year Defence Plan, amounting to ¥95,200-million, and, also, to the budgetary demands submitted by the Defence Agency for the 1955-56 fiscal year. The 6-year defence plan, incidentally, has been received favorably in the munitions industry circles of Japan, where it was hailed as a milestone to Japan's self-defence policy as well as a guidance to defence production. On the basis of the 6-year plan laid down by the government, the defence production committees of the Federation of Managers' Organizations is said to be revamping its own defence production program. It is noted, further, that the abovementioned Allison Memorandum alluded to the sum of ¥90,000-million to be spent for the initial year of the 6-year plan, as the "Basic figure of the Defence Agency expenditures."

Of course, the appropriations to the Defence Agency for 1955, as shown in Table IV, are a little less than the above-mentioned figure. A budget plan, originally, is a product of compromise, and compromise in this particular case was the agreement by the pro-rearmament elements that the total outlays for defence purposes be maintained on last year's level of ¥132,700-million. The government draft budget plan prior to the showing to America for approval and the budget approved by the Japanese Diet had nothing in common, either of both embodying quite different contents. In the original budget plan formulated by the government, the appropriations to the Defence Agency were less than the so-called "basic figure." while the extent the defence outlays were cut was far larger than that of

increase seen in the Defence Agency spending as compared with last year. This was because the Hatoyama government was eager to make a gesture of living up to its election pledges and find ways and means for the avowed cut in the Defence Agency spending. In the final form of the budget, however the reduction of the defence outlays at once entailed a corresponding rise in the Defence Agency appropriations. It is seen, thus, that the total defence spending, including both the general defence outlays and the Defence Agency expenditures, is so computed that desires of the nation at large have no room to have themselves represented in the budgetary formulation of such expenditures. Further, the Japanese-American joint statement, the outcome of the long-procratinated talk between these two countries on the cut of Japan's defence share, clearly indicates that the intentions of the pro-rearmament factions, especially in America, have basically been realized, for the statement makes it clear, first, that a cut of the Japan's defence share shall not be repeated next year, that the Defence Agency appropriations shall be increased next year to an extent larger than the defence share was cut for the current year, that the sum of ¥22,700-million, which has been left over from 1954, shall be used exclusively for defence purposes, and that the Defence Agency shall be authorized to contract, outside the framework of the budget, up to the amount of ¥15,400-million.

The nature of the Defence Agency expenditures, in the view of the present writer has been clarified in the foregoing lines. Spending by the Agency basically stands opposed to the various demands on the part of nation at large, and, as such, is bound to bring about various issues in the course of the actual execution of the Agency's budgetary appropriations. Especially, in regard to local financial conditions, the nation in general will be asked to witness emergence of a number of insurmountable problems during the course of the current year. This is because local economy, more than anything else, offers the place where national demands for promotion of social welfare, etc. and the demands for armament confront against each other most basically and violently. It will be inevitable, thus, that move will be found to come afoot for a "conservative merger" in order that the political position of the present government be strengthened and its ties with the United States be made even closer. However, it would be unavoidable that, as the government continues to stand opposed to the interests of the nation, conflict between Japan and America, especially between the pro-rearmament elements in both countries, will become sharper, as witness the difficulties encountered in the course of the compilation of the 1955-56 budget.