U.S. POLICY IN POST-WAR JAPAN: THE RETREAT FROM LIBERALISM*

HOWARD SCHONBERGER

I

DURING THE FIRST TWO YEARS of the Occupation of Japan, American officials pushed successive Japanese governments to effect liberal reforms in a wide variety of fields. But by the fall of 1947 American policy shifted in the direction of economic reconstruction and open support of the more conservative elements in Japan. Predictably scholars differ on the primary impetus behind the shift and its significance for the "democratization" of post-war Japan. Orthodox Western accounts of the Occupation, most notably Edwin O. Reischauer's *The United States and Japan*, treat the shift largely in terms of American responsiveness to Cold War concerns over the "loss" of China, strategic fear of the Soviet Union, and the perceived growth of communism in Japan. In addition it is argued that the poor performance of the Japanese economy required recovery measures if the early reforms, especially the political ones, were to be preserved. Slight modification and "some curtailment" of the reform program was necessary to make Japan an economically viable democratic showcase in the Cold War struggle against world communism.[1]

Not surprisingly, the orthodox interpretation of Occupied Japan is congruent with the Cold War outlook of American policy-makers. Through government and private foundation funding, America's Japan specialists were enlisted, covertly or overtly, in the tasks of cultural imperialism. They provided a selective portrayal of Japanese history, which, for the Occupation

* The author gratefully acknowledges the aid of the University of Maine at Orono Faculty Research Fund.

1 Edwin O. Reischauer, *The United States and Japan*, 3rd ed. (New York, 1965), pp. 32–41. See also Harold M. Vinacke, *Far Eastern Politics in the Postwar Period* (New York, 1956), and E.J. Lewe Van Aduard, *Japan: From Surrender to Peace* (The Hague, 1953).

period, meant emphasizing the development of bourgeois democracy, economic growth, and peaceful participation in the capitalist world order. Moreover, if Japan was to serve as a successful Asian counter-model to revolutionary China, orthodox historians also had to undermine the views of their leftist colleagues that unbalanced growth, social inequity, class conflict, militarism, and imperialism persisted in the new Japan and were abetted by the shift in American policy during 1947.[2]

The purge of left-wing academics, especially in the Asian field, in the early 1950s allowed the orthodox interpretation of the Occupation to go unchallenged until the shattering of the Cold War consensus by the Vietnam War. Though most anti-imperialist scholars do not go as far as Gabriel and Joyce Kolko in arguing that events in China and American relations with Russia were "unrelated to the reappraisal of occupation policy which began to take place in Washington in 1947," all agree that the paramount thrust behind American policy in Japan, as elsewhere, beginning in 1947, was economic rather than strategic or ideological. American policy-makers, they say, were preoccupied with recurrent crises of recession and inflation, surpluses and shortages, in the American economy. A key element in the solution to these problems was the restoration of Japan, enabling it to play a key role in a still imperfectly envisioned global capitalist trading structure that would operate independently of direct U.S. aid. Stressing the bourgeois limitations of the early reform program and the ability of key Japanese conservatives, kept in power by the U.S. from the outset of the Occupation, to successfully block those reforms uncongenial to them, revisionists interpret the retreat from liberalism in American policy after 1947 as an effort to prevent reform measures from undermining the control of the capitalist ruling class in Japan and to win the cooperation of Japanese conservatives in consolidating an American imperium in Asia.[3]

2 Introduction to John Dower (ed.), *Origins of the Modern Japanese State, Selected Writings of E.H. Norman* (New York, 1975), pp. 33–43. See also my "T.A. Bisson and the Limits of Reform in Occupied Japan," *Bulletin of Concerned Asian Scholars*, V. 12, No. 4 (October, 1980).

3 Joyce and Gabriel Kolko, *The Limits of Power* (New York, 1972), pp. 510–525. See also Jon Halliday, *A Political History of Japanese Capitalism* (New York, 1975), pp. 160–204, and John Dower, *Empire and Aftermath: Yoshida Shigero and the Japanese Experience, 1878–1954* (Cambridge, Mass., 1979), pp. 305–492.

Revisionist scholarship has greatly enhanced understanding of the American Occupation. Yet it has not successfully met the challenge raised by orthodox historians on the primacy of Cold War concerns in shaping American policy. The Kolkos, for example, ignore the phrase in the opening sentence of the famous NSC 13/2 document of October 1948 on overall U.S. policy toward Japan that refers to the "serious international situation created by the Soviet Union's policy of aggressive Communist expansion." John Dower, the leading revisionist scholar of the Occupation, is on firmer ground in acknowledging that economics was not the whole of the problem. His early work, in fact, stressed the primacy of strategic concerns to American policy-makers from the start of the Occupation.[4] But in his recent biography of former Prime Minister Yoshida Shigeru, Dower is still attempting to unravel the tangle of strategic and economic strands of American Occupation policy.

The recently available official papers of George F. Kennan, principal author of NSC 13/2, and of General William H. Draper Jr., Undersecretary of the Army, who was singled out by contemporaries as the American policy-maker most responsible for launching and setting the direction of the Japanese economic recovery program, provide important new data, making possible a more satisfactory analysis of the relationship of the Japanese economic reconstruction program to both the American retreat from liberalism in Japan and Cold War developments outside Japan. Using these data, this paper seeks to clarify the relationship between the economic and strategic concerns of the American ruling class in the development of post-war policy toward Japan.

II

General William Draper candidly admitted when he took office at the Pentagon, with responsibility for all occupied areas, that he "knew nothing about Japan." But his long experience as a leader of the Wall Street banking community before the war, his work as an aide to Secretary of War Henry Stimson, and his service for two years as chief economics advisor to General

4 John Dower, "Occupied Japan and the American Lake, 1945–1950," in Edward Friedman and Mark Selden, eds., *America's Asia: Dissenting Essays on Asian-American Relations* (New York, 1969).

Lucius Clay in Occupied Germany convinced the Truman Administration that Draper was highly qualified to handle the combination of pressures that had pushed Japanese problems to the forefront of attention. General Douglas MacArthur (SCAP) wanted an international peace treaty to wind up the Occupation; the 11-nation Far Eastern Commission (FEC) demanded action on reparations; Occupation businessmen with direct interests in Japan complained bitterly about the business and labor reforms that SCAP was supporting; and above all, the 80th Congress threatened to reduce all foreign aid grants, including that for the Army Department's Japanese relief and recovery programs. In mid-September 1947, two weeks after taking office, Draper visited SCAP and Japanese officials in Tokyo. He returned convinced that the "economic and financial structure of Japan is tottering. Personal observation shows clearly how present economic conditions threaten the accomplishment of U.S. objectives."[5]

Broadly speaking, Draper shared in the Truman Administration's consensus that the reconstruction of Germany and Japan as "workshops" of their respective continents was the key to bringing the world "back to order."[6] Through a program of grants and loans to the former enemy nations, Draper and others hoped to create an open world free from barriers to American economic opportunity. Dire consequences were predicted should Congress not fund these programs. With a vast surplus of goods, estimated at $16 billion for 1947, but with foreign buyers holding only $8 billion in dollar reserves, the enlarged wartime flow of American exports would slow and lead to economic stagnation at home and abroad, political instability, and international conflict.[7]

5 For a fuller account of Draper's role in the Occupation see my "General William Draper, the 80th Congress, and the Origins of Japan's Reverse Course," unpublished m.s. prepared for the International Conference on the Occupation of Japan, Amherst College, Amherst, Mass., August 1980. The quotation is from T.N. Dupuy to General Norstad, "Report on Visit to Japan with Under Secretary of the Army," October 6, 1947, Records of the Office of the Secretary of the Army, File of Secretary of the Army Office of the Undersecretary 091 Japan, Record Group 335, National Archives, Washington, D.C. (hereafter Draper/Japan File #).

6 Walter Millis, ed., *The Forrestal Diaries* (New York, 1951), p. 248. Forrestal makes clear that the economic reconstruction of Germany and Japan would have to be accomplished primarily by and for businessmen, American and foreign.

7 This point is amply documented in the Kolkos' *Limits of Power*; Thomas G. Paterson,

Many of Draper's associates linked the reconstruction of Germany and Japan to the possibility of Russian aggression. Until at least mid-1948 Draper did not. While in Germany, he recalled, he was "hoping and thinking and wishing that we were going to reach a peaceful solution between our two countries."[8] At his final news conference in Tokyo at the end of March 1948, Army Undersecretary Draper shocked American reporters when he "strongly emphasized that the United States was not attempting to build Japan into a base against the Reds and that his mission was 'purely economic.'" Draper did couple containment of labor and the Left in Japan with the economic recovery program. But talk of Japan as an anti-communist military bastion, he apparently felt, would jeopardize Japanese trade in Asia, including that with communist governments there. No doubt referring to China, Draper stated that trade between democratic and communist-controlled areas "was possible regardless of their beliefs."[9] Though a few months later Draper adopted a hard-line anti-Soviet perspective and argued thereafter for Japanese economic recovery primarily on strategic grounds, it seems clear he did not *initially* conceive of the economic reconstruction of Japan in Cold War terms.

Draper never considered economic recovery a means for preserving the important democratization measures that had been begun during the first two years of the Occupation. On the contrary, his visit to Japan in September 1947 convinced him that major revisions in the reform program, especially reparations and Zaibatsu dissolution policies, were needed if the planned "crank-up" of Japan was to succeed. Consequently, he had his staff draw up a brief statement for approval by the State-War-Navy Coordinating Committee (SWNCC) which would publicly call on MacArthur to implement all of his directives from the FEC and the U.S. government with "the necessary shift of emphasis to accomplish economic recovery."[10] Specifically, Draper sought to reopen negotiations with the State De-

---

Soviet-American Confrontation (Baltimore, 1973); William A. Williams, *Tragedy of American Diplomacy*, rev. ed. (New York, 1962).

8 Transcript, *General William H. Draper, Jr., Oral History Interview*, January 11, 1972, by Jerry N. Hess. Harry S. Truman Library, Independence, Missouri, p. 47.

9 *New York Times*, March 27, 1948.

10 William Draper to Douglas MacArthur, October 4, 1947, Draper/Japan File #091.3.

partment over levels of industry established only six months earlier and to prevent SCAP from pushing through the Japanese Diet a deconcentration of industry measure that had aroused the ire of American business interests.

The ascendancy of George F. Kennan in the formulation of Japan policy in the State Department provided Draper with reassurance that economic recovery would be accompanied by a retreat from liberal reform. In August 1947 the Policy Planning Staff (PPS), which Kennan directed, had sharply criticized a draft peace treaty proposal prepared by Hugh Borton of the Office of Far Eastern Affairs for being preoccupied with "drastic disarmament and democratization under continuing international supervision, including the U.S.S.R."[11] Kennan explicitly minimized an overt Chinese or Soviet threat to Japan. The primary danger in Japan came from the possibility of an internal upheaval. After consultations with former Ambassador Joseph Grew and other ultra-conservative Japan specialists, PPS submitted its recommendation on October 14, 1947, proposing that a peace treaty be postponed until Japan could be economically and politically strengthened to "prevent communist penetration." Kennan considered the crank-up program the most important step in achieving that goal. In addition, PPS called for the establishment of a strong central police force and a reappraisal of the reform program, especially the Zaibatsu dissolution and purge programs, to determine if they hindered "Japan's eventual ability to meet the strain of renewed economic independence."[12] In fact, Kennan, like Draper, considered the liberal reforms of the Occupation as benefiting the Japanese left and harmful to the conservatives who favored strong ties with the United States. The only real problem for Kennan was to convince MacArthur "not to press upon the Japanese Government any further reform legislation" and to "relax pressure steadily and unobtrusively on the Japanese Government in connection with reforms already in place."[13]

11 U.S. Department of State, *Foreign Relations of the United States*, 1947 (Washington, D.C., 1972), 6: 486–487 (hereafter *FRUS*).

12 The evolution of Kennan and PPS thinking on Japan is contained in the documents in State Department Policy Planning Staff Lot File 64D563, Record Group 59, National Archives. The final PPS 10 document is in *FRUS*, 1947, V. 6, 537–543. Also see George F. Kennan, *Memoirs: 1925–1950* (Boston, 1967), pp. 388–418.

13 *FRUS*, 1948, V. 6, 694.

The retreat from the liberal objectives of the Occupation contained in Draper's proposed "shift of emphasis" statement and Kennan's PPS recommendations met determined, but ultimately futile, resistance from within the State Department. The crank-up program, insisted Edwin Martin and other economics officers, "should not be allowed to prevent implementation of programs looking toward the democratization of the Japanese economy."[14] Martin, the principal author of the crank-up program, was convinced that Japanese businessmen were deliberately creating economic chaos in Japan, blaming it on American reform policies, and seeking to reassert unfettered control over the Japanese economy. Draper's "shift of emphasis" proposal played right into their hands. Simultaneously, Hugh Borton and other East Asian experts struggled against Kennan's political views and proposals. The Japanese, they said, were already so "anti-Soviet and anti-Communist" that Kennan's fear of communist penetration was misguided. American actions in Japan, as John Emerson put it,

> should not be conditioned by fear of Communism so strong that we lean toward the very elements we have set out to destroy. We shall assure ourselves of a "favored position" in Japan if we succeed in effecting lasting reforms, in giving impetus to a genuine liberal movement, and starting the process of democratization in Japanese education.[15]

Secretary of State George Marshall and Under-secretary of State Robert Lovett carefully considered Kennan's recommendations and Draper's proposed "shift of emphasis" statement. Concurring with the criticism by PPS of the Borton Draft Treaty, they postponed negotiations for a peace treaty for Japan and ordered Kennan to seek approval from the Army Department and SCAP for his policy recommendations. As for Draper's proposal, they agreed with its counter-reformist implications but feared that the "shift of emphasis" phrase would unnecessarily anger FEC nations, especially if issued as a unilateral directive to MacArthur. The willingness of FEC nations to trade with Japan, an absolutely essential part of crank-up, was already in doubt

14 Memorandum on SWNCC 381, September 12, 1947, Assistant Secretary of State Lot File, Box 3, Record Group 59, National Archives.

15 *FRUS*, 1946, V. 8, 339.

because of U.S. rejection of a "Marshall Plan for Asia."[16] Consequently, State Department officials wanted Draper to work out a statement on Japanese economic recovery that "should be so worded as to minimize fears that this shift of emphasis implies in any way reversal or repudiation of the broad principles and policies which have underlain long-term occupation objectives."[17]

Satisfied that Marshall and Lovett shared his commitment to Japanese economic recovery linked to a retreat from reform, Draper accepted, in January 1948, a compromise in the wording of his recovery statement. Instead of a "shift of emphasis" the U.S. government would place "more emphasis" on economic recovery in Japan than previously. In addition, Washington officials agreed to argue that the industrialization of Japan was the key to economic recovery of the Far East and that the U.S. government remained committed to what would be described as the substantially and successfully completed democratization program.[18] In essence, Washington's position was that actual retreat from the reform program had to be rapidly effected but camouflaged; open affirmation of the change would only add to expected Japanese and international opposition. Such diplomatic dissembling on the objectives of U.S. policy greatly misled later historians of the Occupation. But more important, it created unforeseen difficulties for Draper and Kennan in dealing with Congress and MacArthur, and failed to dampen growing FEC and Japanese opposition to the new direction of U.S. policy.

III

Draper and Kennan agreed by late fall 1947 that the launching of the crank-up program and reversal of U.S. reform policies should begin immediately. The first step was to win support from the Republican-controlled "meat-axe" 80th Congress for a large increase in aid appropriations to begin shipments of industrial raw materials, as well as relief goods, to Japan. Explicitly modeled after the Marshall Plan, crank-up in Japan had to be sold to Congress with the argument that two years of increased

16 David Wightmen, *Toward Economic Cooperation in the Far East – The Economic Commission for Asia and the Far East* (New Haven, 1963), p. 50.
17 *FRUS*, 1947, V. 6, 313.
18 *FRUS*, 1948, V. 6, 654–656.

appropriations would lead to a rapid increase in Japanese exports (and hence foreign exchange for necessary imports), so that by 1953 no further U.S. aid would be necessary.[19] Moreover, Draper felt that Congress shared his view that reparations, Zaibatsu dissolution, and other reforms were the principal obstacles to recovery of Japanese industry and exports. If funding for crank-up were to be assured, Draper was convinced, a retreat from the liberal objectives in American occupation policy was necessary and had to be understood as such in Congress.

Prompted by American businessmen with investments in Japanese firms and former members of the "Japanese Crowd," Draper and Kennan worked together to emasculate the whole Zaibatsu dissolution reform known as FEC-230. Unexpectedly, MacArthur and the "New Dealers" in SCAP stubbornly refused to cooperate. The General considered the Zaibatsu system "socialism in private hands" and favored their dissolution as an alternative to the Japanese left-wing demand for public ownership of industry.[20] In resisting Washington's new orders on the Zaibatsu, MacArthur was handed a powerful argument by the unwillingness of the State Department to discuss the matter at the FEC. Suddenly respectful of international cooperation, MacArthur claimed his new directives on the Zaibatsu were contrary to already approved FEC policy and that he would therefore continue to implement that policy. To Draper and Kennan, MacArthur's statements and actions not only undermined their efforts to reassure Japanese and American businessmen and conservatives that the Zaibatsu would not be broken up, but threatened Congressional support for relief and crank-up funds and forced them to reveal what they had hoped to largely conceal, namely that a real "shift in emphasis" from reform to recovery had taken place in American Occupation policy.

To deal with MacArthur, Draper and Kennan discreetly collaborated with friendly senators and *Newsweek* magazine in what developed as a series of speeches and articles on the purported dangers of Zaibatsu dissolution and SCAP interference in economic affairs. Draper ordered MacArthur to accept a review

19 SWNCC 381, "Revival of the Japanese Economy, Study presented by State Member, SWNCC," July 22, 1947, SWNCC Papers, RG 353, National Archives.

20 T.A. Bisson, *Zaibatsu Dissolution in Japan* (Berkeley, 1954) is still the best discussion of the demise of the program.

board of American businessmen to insure that a new deconcentration of industry law would be administered so as to guarantee the primacy of economic recovery, and he then appointed all the members of the review board.[21] In February 1948, Kennan visited MacArthur to discuss the details of the PPS document for a reorientation of American Occupation policy, and to convince the general that the concepts behind the FEC-230 program were "ones strongly supported by the Russians for political reasons related to their aggressive foreign policy."[22] A few weeks later Draper and five leading American corporation executives flew to Tokyo to impress on MacArthur that the unwillingness of Congress and the American people to continue aid programs for Japan and the "profound changes in the world situation" required a "change in the direction of course" on the Zaibatsu and other questions.[23] By the summer of 1948 MacArthur acquiesced to the inevitable. U.S. officials proclaimed in December 1948 that the dissolution program had been successfully completed; however, the fact was that of the original 325 firms designated for break-up by SCAP, only 19 ever were, and Japanese banks were exempted by fiat of the Draper-appointed review board from even being subject to the law.[24]

Other fundamental reform objectives of the Occupation were strikingly curtailed in 1948 under the watchful eye of Kennan and Draper. SCAP was warned and then ordered to halt the purge on the grounds that the "men who were most active in building up and running Japan's war machine – militarily and industrially – were often the ablest and most successful business leaders of that country, and their services would in many instances contribute to the economic recovery of Japan."[25] Though MacArthur strongly supported economic recovery for Japan, he considered the "Zaibatsu-militarists" as "elderly incompetents," "counterparts of the most effete New York club men," and be-

21 See my "Japan Lobby in American Diplomacy, 1947–1952," *Pacific Historical Review*, V. 46, No. 3 (August, 1977).

22 *FRUS*, 1948, 6, 689.

23 Kenneth Royall to Robert Lovett, December 18, 1947, enclosure in Hugh Borton to James Penfield, February 26, 1948, Department of State File #740,00119, RG 59, National Archives (Hereafter D/S File #).

24 T.A. Bisson, *Zaibatsu Dissolution*, pp. 154–179.

25 Jon Livingston *et al.*, eds., *The Japan Reader: Postwar Japan, 1945 to the Present* (New York, 1973), pp. 116-119.

lieved their elimination under the purge program had made way for "better men" to run the Japanese econony.[26] Defiantly, MacArthur refused repeated attempts by Draper, Kennan, and others to carry out an unobtrusive relaxation of the purge program. But by the end of 1948 meaningful influence had clearly slipped out of MacArthur's hands and a gradual process of depurging began. The next year, the purge machinery was grinding away against the Japanese left. Both the depurge of former militarists and ultranationalists and the Red purge were defended by American policy-makers as consistent with the broad principles outlined at the start of the Occupation.

Both Draper and Kennan considered that the new emphasis on economic recovery in Japan demanded "hard work, minimum of work stoppages," and acceptance of "internal austerity measures" from Japanese labor.[27] Not surprisingly they encouraged SCAP to impose more severe curbs on labor union activity. This reached a climax in July 1948 when MacArthur, faced with a major strike by railway and communications workers, ordered the Japanese government to remove the right of all government employees — whose wage scale was significantly lower than that in private industry — to strike or, in the case of civil servants, even to join unions. MacArthur defended his action as necessary to combat the Communist subversion of Japan. But he was not believed. The entire, mostly non-Communist, Japanese labor movement loudly protested. The American Federation of Labor, which had cooperated with SCAP in efforts to create an anti-communist union movement similar to that in the U.S., denounced the "restrictive and oppressive" labor laws passed by the Japanese Diet and called on MacArthur to cease "repressive action that is being carried out under the guise of anti-communism against legitimate trade union objectives."[28] International protest against the unilateral changes in Occupation labor policies also followed MacArthur's actions. Most members of the FEC agreed with the delegate from Australia that the Occupation's "unwise handling of the labor problem in Japan" had contributed to the appeal of the communists.[29] Though increasingly regressive

26 *FRUS*, 1948, V. 6, 702.

27 *Ibid.*, 861.

28 See my "American Labor's Cold War in Occupied Japan," *Diplomatic History*, V. 3, No. 3 (Summer 1979), p. 262.

29 Cited in John Dower, "Occupied Japan and the American Lake, 1945–1950," p. 185.

labor laws were passed by the Japanese Diet throughout the remainder of the Occupation, most were defended by American policy-makers as necessary to combat communism and rehabilitate the Japanese economy, and were consistent with the original democratic objectives of the Occupation.

Draper took the lead in engineering the complete emasculation of the highly volatile reparations issue. The original program had been premised on the need to eliminate Japanese war-supporting industries, especially the top-heavy Zaibatsu-controlled heavy industry structure, and to use removals from Japan to create a more balanced Asian economy. While major changes in that policy had been made before Draper arrived in Washington, the Army Under-secretary considered those changes inadequate to making Japan the fulcrum of Asian policy and winning the cooperation of Zaibatsu executives in the recovery program. Most State Department officials, however, feared that any further relaxation of the reparations program would jeopardize the willingness of FEC nations to trade with Japan, the key to the entire recovery program. In addition, these officials considered that the already agreed upon U.S. reparations proposal was hedged with important exceptions that effectively accomplished the economic recovery objectives desired by Draper. Beginning with the release in February 1948 of a lengthy engineering report by Clifford Strike sharply criticizing proposed retention levels for Japanese industry, Draper gradually undermined the State Department position. Further emasculation of U.S. reparations policy was a major goal of Draper's economic mission to Japan in March. Draper and Paul Hoffman, chairman of the mission's subcommittee on reparations, publicly asserted, after less than two weeks of study, that "the amount of excess capacity realistically available for reparations is not great." The final findings on reparations in the mission's report were far worse than Draper's most severe critics anticipated. All capacity in the pig iron, steel, ballbearing, and 14 other "war-supporting industries" would be retained. Of the remaining five war-supporting industries, the report called for a 40 per cent reduction in reparations over the greatly reduced levels recommended in the Strike survey. Most shocking, the report called for more than a 60 per cent reduction in available reparations from arsenals, airplane factories, and other theretofore "primary war

facilities." In the end, Draper and Kennan, representing their respective departments, worked out the final U.S. reparations policy publicly announced to the FEC on May 12, 1949. The U.S. unilaterally terminated all reparations removals for the duration of the Occupation and decided to permit Japan "to develop its peaceful industries without limitation." By peaceful industries the U.S. was referring to what had been described in previous documents as "Japanese industrial war potential."[30]

Unquestionably, the specter of the Soviet Union's policy of "aggressive Communist expansion" loomed even larger for Kennan and Draper in the increasingly conservative development of U.S. Occupation policy. Ignoring MacArthur's emphatic statements that the "Japanese Communists were no menace," Kennan insisted that the Moscow-controlled Japanese Communist Party was stepping up its activities to place Japan within the Soviet orbit. Questions of U.S. security policy in Asia, however, were defined by Kennan primarily in terms of internal upheaval rather than overt military aggression by Russia. He sharply criticized the strategic plans of the Joint Chiefs of Staff (JCS) because of the implicit and unacceptable premise that war with the Soviet Union was inevitable.[31] In a broad application of the "containment doctrine" to the region, Kennan and PPS argued in February 1948 that Japan and the Philippines should "remain in hands we can control or rely on" for they were the "cornerstones" of U.S. security policy. Kennan championed Japanese economic recovery and expanded Japanese trade with Southeast Asia as the principal "focal point" of U.S. strategic policy in the Far East.[32] Like MacArthur, Kennan opposed permanent retention of U.S. bases in Japan. Expansion of U.S. military bases in a U-shaped perimeter running from the Aleutians through former Japanese-mandate islands and the Philippines to Midway was adequate to U.S. defense needs in Asia.[33] Okinawa would be the most important redoubt in this perimeter for the military protec-

30 See my "General William Draper, the 80th Congress, and the Origins of Japan's Reverse Course."

31 *FRUS*, 1949, V. 1, 282–283.

32 *FRUS*, 1948, V. 6, 697 and FRUS, 1948, V. 1 (pt. 2), 523–526.

33 *FRUS*, 1948, V. 6, 698–712. See also Michael Schaller and James Elston, "Serving the Great Crescent: The Dodge Line and Containment in Southeast Asia," unpublished ms. prepared for the International Conference on the Occupation of Japan, Amherst College, Amherst, Mass., August, 1980.

tion of Japan. On the question of Japanese rearmament Kennan was more ambiguous. The "constabulary and coast guard" designed for handling domestic unrest, he suggested, should be expanded in accordance with a later American military decision. Kennan, however, left American military personnel in Japan in March 1948 with the impression that notwithstanding MacArthur's commitment to the "no-war clause" of the 1947 Constitution, he favored the immediate development of Japanese military forces, if only to use them as leverage in peace treaty negotiations with the Russians.[34]

The threat of overt Soviet aggression and internal communist upheaval in Japan became the dominant theme in Draper's defense of the economic recovery program and for a permanent U.S. military presence in Japan beginning in April or May 1948. In an address in San Francisco in May, titled "Japan's Key Position in the Far East," Draper no longer emphasized, as he had been doing since September 1947, that economic recovery in Japan would save American taxpayers dollars and open opportunities for trade and investment for American business. The "economic health and well-being of Japan," Draper now claimed, was needed "so that philosophies and ideologies which thrive upon hunger and confusion will lose their appeal." Moreover, if war should come between the U.S. and the Soviet Union "we must be ready to seize and hold airbases perhaps far from our shore but so located that our bombers would carry the war decisively to the enemy."[35] Draper remarked privately to the Council on Foreign Relations in October 1948 that, in view of an apparent early Communist victory in China, "it must be realized that Japan is the logical stopping place of Russian aggression. Therefore, aside from other considerations, it is definitely in America's national interest to rebuild the Japanese economy" and, he might have added, rearm the Japanese and retain U.S. bases in Japan.[36]

Why Draper lost hope in U.S. cooperation with the Soviet

34 *FRUS*, 1948, V. 6, 713; Robert L. Eichelberger Diary, March 10, 11, 1948, in Robert L. Eichelberger Papers, Duke University, Durham, North Carolina.

35 William H. Draper, "Japan's Key Position in the Far East," May 17, 1948, Douglas MacArthur Papers, MacArthur Memorial, Norfolk Va.

36 Quoted in John C. Perry, *Beneath the Eagle's Wings: Americans in Occupied Japan* (New York 1980) p. 128

Union and came to favor the Japanese economic recovery program primarily as a measure to stop "Russian aggression" is not clear. The conflicts Draper had with Russia over German policy and the Marshall Plan no doubt contributed to his change of thinking. Certainly, his new views were consistent with the revision by the JCS of the global emergency war plan in February 1948 which, for the first time, emphasized Japan's role as an offensive base for the destruction of Soviet forces in East Asia.[37] Draper's colleagues in the Army Department considered retention of U.S. air and naval bases in Japan essential to that plan and called for the development of an armed force of 200,000 to 300,000 Japanese to supplement the American military presence.[38] Perhaps of greater importance, Draper may have become convinced by the late spring of 1948 that appropriations from Congress for the Japanese economic recovery program, just as for the military services, depended on the inflation of East Asian war plans. Certainly, the economic arguments which Draper had been using were proving politically inadequate. The assurances Draper gave some congressmen that the curtailment of Zaibatsu dissolution, reparations, and labor and other reform policies would lead to rapid economic recovery aroused fears in other congressmen of a flood of Japanese textiles and other goods coming into the American market. Draper's admission that most Asian countries were reluctant to trade with Japan fueled such fears.[39] The Russian bogey and war scare had been effective in wrenching Marshall Plan dollars from the niggardly 80th Congress, Draper knew, and this certainly influenced the new emphasis he placed on the strategic rather than economic rationale for the Japanese recovery program. Though the Army Depart-

37 Roger Dingman, "Strategic Planning and Policy Process: American Plans for War in East Asia, 1945–1950," *Naval War College Review*, V. 32, No. 6 (November–December 1979), p. 12. Dingman points out that budget and organizational pressures on the JCS prompted the revised role for Japan in the new war plan. He laments that the "fight for funds eroded the planners' sense of purpose and changed the whole nature of their endeavor. It became less and less an effort to anticipate challenges abroad and more and more a tool in the struggle for dollars."

38 Takeshi Igarashi, "George Kennan and the Redirection of American Occupation Policy for Japan: The Formulation of National Security Council Papers 13/2," unpublished ms. prepared for the International Conference on the Occupation of Japan, Amherst College, Amherst, Mass., August 1980, p. 34.

39 U.S. Congress, House Appropriations Committee, *Hearings on Foreign Aid Appropriations for 1949*, 80th Congress, 2nd Session, pp. 84–170.

ment's request for Japanese relief and recovery aid was delayed and modestly cut by Congress despite the new emphasis on Japan's strategic importance, Draper expressed satisfaction at the end of June that the final aid and loan package permitted the start of an actually operating recovery program in Japan.[40] Both internal stability and Far Eastern security, Draper believed, depended on the success of economic recovery in Japan.

IV

Neither Draper nor Kennan worried greatly over the international response to the changes they were making in American policy for Japan. When MacArthur's recalcitrance on the Zaibatsu and purge matters prompted Draper to make public statements that undermined State Department attempts to minimize the reverse course, General Frank McCoy, U.S. representative to the FEC, accurately gauged Draper to be "completely cynical about any international cooperation and . . . quite willing to disregard the FEC."[41] For his part, Kennan wanted simply to declare that the "policy-making functions of the FEC were substantially completed." He opposed abolishing the FEC but told MacArthur that the U.S. "could easily render it quiescent, and permit it to languish as long as we pleased."[42]

American allies on the FEC did not quietly accept the claims of Draper and Kennan that the promotion of Japanese economic recovery and retreat from liberalism was a necessary response to the threat of Soviet or Japanese communism. The official history of the FEC makes abundantly clear that on most major issues the U.S. rather than the Soviet Union found itself in the minority. Moreover, international criticism of U.S. Japan policy increased in intensity throughout the period of the Truman Doctrine, "loss of China," and other landmarks of the Cold War.[43] The Prime Minister of Australia in 1948 considered American policy in Japan "unnecessarily provoking" to the Soviet Union and

40 William H. Draper to Daniel Noce, June 23, 1948, Records of the War Department and Special Staffs 014 Japan, RG 165 National Archives.

41 Frank McCoy to Ross Whitman, December 10, 1947, Frank McCoy Papers, Library of Congress, Washington, D.C.

42 *FRUS*, 1948, V. 6, 703–704.

43 John Dower, "Occupied Japan and the American Lake, 1945–1950," pp. 183–184.

criticized American thinking on Japan as "obsessed to the exclusion of other considerations by fear of Soviet motives and designs." His External Affairs Minister told the Australian Parliament that the Draper Mission's plan for Japanese recovery "constitutes a danger to Australia, a view shared by all members of the British Commonwealth."[44] Public opposition to the "American-financed workshop of Asia" in the Philippines was so intense that one of Draper's top aides told him that no significant trade between the Philippines and Japan was possible.[45] The British Foreign Office fretted over how to voice its fears that Draper and other American policy-makers advocated "a policy of rather excessive liberality towards Japan." Convinced that the Americans would "rig things to the advantage of U.S. business interests" in Japan, the British strategy was to bargain their approval of American-sponsored recovery in Japan for protection of their trade with Southeast Asia and of their shipping and shipbuilding industries from Japanese competition.[46]

The Chinese were particularly bitter about changing U.S. policy in Japan from 1947 to 1949. According to an American-owned journal in Shanghai, in 1947 Chinese of all shades of opinion were united in protest against "the economic arming of Japan, whether under the guise of making it pay for the occupation, securing a base against communism, financing food imports, or preserving 'a reasonable standard of living for the Japanese people.'"[47] The visits of Kennan and Draper to Japan in March 1948, the American Consul-General reported, raised Chinese suspicions of the U.S. to "fever heat." By May and June 1948 "Anti-American Aid to Japan" organizations had become the focal point of mass protests and boycotts against Japanese goods. A wide spectrum of Chinese asserted that the restoration of the Japanese economy was "actually the restoration of war

44 Message of Prime Minister of Australia to Prime Minister of Great Britain, July 27, 1948, F10555/4/23G British Foreign Office Papers, Public Records Office, London, England.

45 Daniel Noce to William Draper, July 29, 1948, CS CAD 014 Japan (1 June to 31 August 1948), Civil Affairs Division, Department of Army Records, RG 165, National Archives.

46 Hubert Graves to MacDermot, January 21, 1948, F11187/4/23 and F.S. Tomlenson Memo, April 14, 1948, F5717/662/23, British Foreign Office Papers.

47 Cited in Jerome B. Cohen, "Japan: Reform vs. Recovery," *Far Eastern Survey,* June 23, 1948, p. 141.

industry — that is, in preparation for war by the United States in cooperation with Japan."[48]

If American allies considered the changes in U.S. policy wrought by Draper and Kennan provocative to the Soviet Union and a threat to the economic and strategic security of the entire Pacific region, the Russians not surprisingly harbored even greater fears. Their primary concern was Japanese rearmament and the presence of U.S. bases in Japan. They made clear that unlimited recovery of Japan's civilian industry should be allowed, but repeatedly attacked the U.S. recovery plan for allowing the rebuilding of Japanese war-making capacity. Beginning in May 1948, the Russians effectively used the FEC as a forum for charging the U.S. with not purging militaristic elements in a thoroughgoing manner, using the police forces as a nucleus for a new Japanese army, and with constructing new facilities on U.S. bases in Japan that signaled a permanent presence and a desire for a separate peace treaty.[49] The American ambassador in Moscow lamented that the "Soviets find themselves not alone in attacking so-called build-up Japan policy" and suggested that the State Department devote "more attention toward educating world opinion" on Far Eastern matters.[50]

Though Soviet charges were dismissed as propaganda in the U.S. at the time, by 1949 Kennan found himself privately making similar comments about the exaggeration of the military component in U.S. policy for Japan and moving toward a collision course with Draper and others in the administration. In his memoirs, Kennan suggests that Joseph Stalin was motivated to authorize the North Korean attack on South Korea as one of the

> direct reactions to moves of our own — above all our recent decision to proceed wtih the negotiation of a separate peace treaty settlement with Japan, to which the Russians would not be a party, and to accompany that settlement with the indefinite retention of American garrisons and military facilities on Japanese soil.

Washington policy-makers, Kennan concludes, found it unthinkable to admit that the Russians were reacting in Korea to U.S.

48 John M. Cabot to W. Walton Butterworth, March 5, 1948, D/S File #711.94 and John Dower, "Occupied Japan and the American Lake, 1945–1950," pp. 189–190.
49 Max Beloff, *Soviet Policy in the Far East, 1944–1951* (London, 1953), pp. 124–140.
50 Walter Bedell Smith to George Marshall, June 17, 1948, D/S File #740.0019.

actions in Japan or that they should "confess to a share in the responsibility for [Russian] behavior."[51]

The outbreak of the Korean War did not alter the basic American policies toward Japan that Draper and Kennan had established in 1947 and 1948. The war accelerated trends towards economic recovery, reversal of support of the early reform program, and Japanese rearmament and the securing of American bases in Japan as part of the peace settlement. SCAP gradually relinquished control to the conservative government of Yoshida Shigeru, which depurged thousands of former militarists and ultra-nationalists, stepped up an assault on the left, including the arrest of Communist Party leaders, raids on student organizations, and suppression of labor union rights. Under the impetus of "special procurements" from the United States for the war effort in Korea, the Japanese economy became unequivocably militarized as it reached the self-support levels of the original crank-up plan. Under the guise of the National Police Reserve, the Japanese, aided by the U.S. military, took the first steps toward creating a new Japanese army. By the end of the Occupation, 75,000 well-paid recruits led by former Imperial officers had received extensive training with tanks and other increasingly diverse and large caliber weapons. Finally, the peace treaty arranged by John Foster Dulles was contingent upon a security agreement which was prefaced with the understanding that Japan would continue its own rearmament and permit the indefinite stationing of U.S. forces in Japan.[52] As Dulles remarked in the opening phase of his successful effort to pressure American allies and the Japanese to accept the peace treaty with Japan, the "problem of keeping Japan within the orbit of the free world [was] possible of solution only because of Korea . . . ."[53]

Though Kennan, Draper, Dulles, and others on the American side helped undermine the original reformist objectives of the Occupation, retreat did not become a rout. SCAP's early

51 George F. Kennan, *Memoirs: 1925–1950,* p: 525.

52 John Dower, *Empire and Aftermath: Yoshida Shigeru and the Japanese Experience, 1878-1954,* pp. 332–399.

53 "Transcript of the Meeting of the Study Group on Japanese Peace Treaty Problem of the Council on Foreign Relations, October 23, 1950," John Foster Dulles Papers, Princeton University, Princeton, N.J.

commitment to reforms and the strong backing such reforms received from the Japanese people meant that there could be no simple return to the past in Japan. The Emperor remained, but he was stripped of the legal power that had before the war enabled others to grasp power in his name. The reemergence of U.S.-sponsored militarism in Japan did not change the fact that in 1952 the majority of Japanese people preferred neutrality to Cold War military alliances, or that the military had been eliminated as a key element within Japan's ruling elite. Though more and more tightly proscribed after 1947, opposition parties did continue to function and labor unions continued to organize. If not always enforced, civil liberties and the rights of women were protected by law. All this said, however, still the "new Japan" was not the American model of liberal capitalism envisioned by some of the earliest Washington policy-makers and SCAP New Dealers. In their view, prospects for meaningful democracy in Japan were dim. The Japan that emerged at the end of the Occupation was an extremely conservative, Zaibatsu-dominated society under the Emperor, linked by the peace and military settlements with the United States in the development of an "American-Japanese Co-Prosperity Sphere" in Asia.[54]

The foregoing analysis suggests a number of problems with the treatment of the economic and strategic concerns of American policy-makers by historians of the Occupation of Japan. The shift in American policy in 1947 to emphasis on economic reconstruction of Japan and the accompanying retreat from liberalism did not, as orthodox historians contend, originate primarily as a response to a covert or overt Soviet threat, but from a determination to make Japan "self-supporting." That is, American policy-makers sought to make Japan the Asian workshop of a global capitalist order dominated by the United States. The nationalist and revolutionary movements sweeping China and the rest of Asia, however, were in fact a real threat to the success of American plans. While Japan might enjoy substantial trade with a China certain to become communist, American officials in 1947 and 1948 considered the self-support program as broadly linked to a strategic effort to prevent the spread of revolution in

54 Jon Halliday and Gavan McCormack, *Japanese Imperialism Today* (New York, 1973), and T.A. Bisson, "The American-Japanese 'Co-Prosperity Sphere,'" *Bulletin of Concerned Asian Scholars*, V. 6, No. 1 (January-March, 1974), pp. 52–64.

Asia. Economic recovery in Japan, revisionists must explain, meant more than markets and raw materials in Asia for the Japanese. The U.S. required Japan to cooperate in shoring up the comprador regimes of the region, and to that extent the economic and strategic strands of American policy were intertwined.

In addition, American policy-makers were explicit in arguing that the new emphasis on economic reconstruction in Japan required considerably more modification and curtailment of the initial reform objectives than is suggested by orthodox historians. For ideological and diplomatic reasons, however, deliberate efforts were made to minimize the extent to which those initial objectives had been abandoned. As revisionists are now showing, opposition of the Japanese people to the interpretation placed by Japanese rulers upon the change in U.S. policy, not an American commitment to preserve reform, was the major barrier to an even more rightward lurch in Japanese political life than actually occurred by the end of the Occupation.

Finally, the recognition of the Truman Administration that Congress was more receptive to strategic than to economic rationales for the self-support program heightened Cold War rhetoric as a means of promoting the U.S. aid programs for Japan beginning in early 1948. When coupled with the real support given to Japanese conservatives and counter-revolution elsewhere in Asia, American actions predictably provoked harsh Russian criticism and response. Thus, contrary to the arguments of apologists for American imperialism, U.S. policy in Occupied Japan greatly contributed to, not simply reflected, the vicious syndrome of international distrust and bipolarization that occurred in the late 1940s.

Department of History
University of Maine at Orono