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William R. Castle and the Postwar Transformation of Japan, 1945–1955

By Alfred L. Castle

NO event since 1941 has played a larger role in determining the course of relations between the United States and Japan than the postwar occupation which followed four years of savage fighting. Having at last defeated the Japanese, the Allies were determined not only to revise Japan's political and economic systems but also to redeem the very soul of the nation. Under the aegis of General Douglas MacArthur, Supreme Commander for the Allied Powers (SCAP), Japan was to be democratized as well as demilitarized. A new constitution was written and enacted; the old militarists were purged; war was renounced except for self-defense; women were given the vote; labor unions and land reform were encouraged; and a start was made on dissolving the great corporations (*zaibatsu*) which had provided the muscle for Japanese aggression. All of these dramatic changes occurred within eighteen months of Japan's unconditional surrender in September of 1945. And yet, by 1947, MacArthur's occupation policy was under relentless attack by the press and powerful business and diplomatic leaders in the United States. Within the space of a few years, the occupation policy had been reversed, the *zaibatsu* were re-established, and a revived Japan was enjoying access to the lucrative U.S. market and to raw materials in much of the non-communist world. It was an astonishing reversal of policy, the effect of which was to

ensure Japan a share in the world economy as great as if she had won the war.

Explanations for this critical reversal are varied, but mainstream analysis sees it as an outgrowth of the emerging Cold War. With the increasing aggressiveness of Stalin and the successes of Mao in the ongoing revolution in China, wartime plans to reconstruct Japan along democratic, nonmilitarist lines were abandoned in order to rebuild a Japanese economy tied to the U.S. economic orbit.¹ Reform in Japan, according to this explanation, would be less important than the partial remilitarization of the country combined with quick economic reconstruction.² Winning the Cold War would require a strategic sphere of influence within the Western Hemisphere, domination of the Atlantic and Pacific oceans, an extensive system of outlying bases, the maintenance of nuclear weapons, and support from the Truman administration for a resurrected Japan and West Germany.³ Other historians

¹Harold M. Vinaucke, *Far Eastern Politics in the Postwar Period* (New York, 1956), 423–424.

²E. J. Lowe Van Advard, *Japan: From Surrender to Peace* (The Hague, 1953), 96–101.

³Melvyn P. Leffler, "The American Conception of National Security and the Beginnings of the Cold War, 1945–48," in the *American Historical Review*, 89 (April, 1984), 379. See also Walter LaFeber, *The American Age* (New York, 1989), 469–470.



Photo courtesy Donald Winslow

William R. Castle, Jr., by Harris and Ewing, Washington, D.C.

view the change of course in terms of the changing domestic needs of Japan, most importantly the need to halt the inflationary price spiral of the postwar period which endangered MacArthur's original reform effort.⁴

The leading revisionist challenges to this interpretation of postwar policy come from Joyce and Gabriel Kolko and John Dower. In their view, the driving force in reversing the Japanese occupation policy lies in the domestic economy of the U.S. Troubled by the continuing crises of inflation and a surplus of manufactured goods, the revisionists argue, Truman's administration called for the restoration of West Germany and Japan because they would become important buyers for America's burgeoning industries. Programs of demilitarization, democratization, and land and labor

reform would only slow the incorporation of these key countries into a world capitalist order which would exclude the Soviet Union and China and would be dominated by the U.S. For the revisionists, no military threat from the Soviet Union or China was deemed as great by Truman and most of his advisors as the threat of economic stagnation and unrest in the U.S.⁵

More recently, a few historians led by Howard Schonberger and John G. Roberts have focused on the extent to which unofficial pressure groups as well as influential business and past diplomatic leaders were important influences on Congress, the Truman administration, and public opinion.⁶ The most important of

⁴Edwin O. Reischauer, *The United States and Japan* (3rd ed., New York, 1965). See also Robert E. Ward, "Reflections on the Allied Occupation and Planned Political Change in Japan," in Robert E. Ward, ed., *Political Development in Modern Japan* (Princeton, 1968), 477–535.

⁵Joyce and Gabriel Kolko, *The Limits of Power* (New York, 1972), 510, 525. See also John W. Dower, "Occupied Japan as History and Occupation History as Politics," in the *Journal of Asian Studies*, 34 (1975), 485–504.

⁶See Howard Schonberger, "The Japan Lobby in American Diplomacy, 1947–1952," in the *Pacific Historical Review*, 46 (August, 1977), 327–359, and John G. Roberts, "The Japan Crowd and the Zaibatsu Restoration," in *The Japan Interpreter*, 12:314 (1979), 384–415.

these groups was the American Council on Japan (ACJ), the organizational umbrella for the so-called Japan Lobby. Largely forgotten or ignored today, the ACJ operated behind the scenes and represented a loose-knit group of influential "Japanists" who, in their capacities in the Foreign Service and the U.S. Department of State, consistently promoted American-Japanese cooperation from the end of World War I to 1952. Trained as European specialists, most of them viewed Japan in the larger context of U.S. relations with Europe and the Soviet Union. Their willingness to use their substantial influence to redirect occupation policy in the emerging Cold War to serve their view of America's future position in world affairs was poorly understood at the time and is only dimly remembered today.⁷

The ranks of the powerful Japan Lobby included William R. Castle, Joseph C. Grew, Hugh Wilson, Jay P. Moffat, Hugh Gibson, Joseph W. Ballantine, Eugene Dooman, Edwin Nelville, John Curtis, Thomas C. Hart, James L. Kauffman, Harry F. Kern, Kenneth S. Latourette, Clarence C. Meyer, Compton Pakenhams, William V. Pratt, Antonin Raymond, John W. B. Smith, Henry St. George Tucker, Langdon Warder, and Charles W. Wood. This diplomatic elite shared a common background of family wealth, private schools, and an Ivy League education.⁸ Socially and professionally homogeneous, these men also shared a common European orientation and aggressive anti-communism. Their vision of Japanese-American relationships helped shape foreign policy under Herbert Hoover, criticized Franklin Roosevelt's Asian policies in the 1930's, influenced wartime planning for the surrender and occupation of Japan, and reappeared in the late 1940's to alter MacArthur's early occupation policy. Throughout the period 1918–1952, the Japan Lobby tended to call for a Japan aligned with the U.S. Such an alignment, they believed, would block Soviet expansion,

stabilize East Asian relations, and prevent the need for American military commitments on a global basis. The Japanists believed, moreover, that the U.S. could exist peacefully in a prosperous world of independent economic spheres.

AS national co-chairman of the American Council on Japan, William Richards Castle, Jr. (1878–1963), the highly respected Japanist whose public diplomatic career had spanned the years 1919–1933, would help to represent the interests of the Japan Lobby and powerful Japanese economic interests. Although not the most important leader of the lobby, he symbolized the continuity of the postwar Japan Lobby with the prewar forces which urged cooperating with civilian moderates in Japan, moderating the Chinese revolution, containing the Russian Bolsheviks, and keeping the Far East open to American commerce, investments, and democracy. Although overlooked by many historians of postwar Japan, Castle played a role in the success of the ACJ's efforts to revise occupation policy. An examination of his life reveals the nature of his influence on the "reverse course" policy during the period 1947–1952.

William R. Castle, Jr., Hoover's former undersecretary of state, had solidified his symbolic leadership of the Japanists in part because of his active opposition to U.S. intervention in Asia from 1939 to 1941. A chief organizer of the Washington, D.C., chapter of the America First Committee in 1940, Castle was among the most vocal of Roosevelt's critics. His focus on Japan—perhaps the result of his having been raised in Hawaii, a multicultural society—was uncharacteristic of the noninterventionists, and few adequate descriptions of his views currently exist.⁹ More sensitive to the importance of Japanese civilization, the foreign policy positions of this former career diplomat are worth

⁷Schonberger, "The Japan Lobby in American Diplomacy, 1947–1952," 328–329.

⁸For a discussion of the social, educational, and political homogeneity of the State Department to 1950 see Martin Weil, *A Pretty Good Club: The Founding Fathers of the U.S. Foreign Service* (New York, 1978).

⁹Jonas, *Isolationism in America*, for example, virtually ignores Castle, yet he appeared in numerous public forums throughout the period 1938–1941. Coles's book, *Roosevelt and Isolationists*, also covers Castle's positions inadequately.

examining because of what they reveal about his prewar attitudes toward Japan. Neither a pacifist nor a rigid ideologue opposed to intervention under any circumstances, Castle feared the domestic consequences of modern warfare. Moreover, he believed Roosevelt's Asian policies to be inconsistent, unrealistic, and needlessly provocative. Frequently sought after by the press for his opinions, Castle expressed his views in numerous public speeches and magazine articles in the late 1930's and early 1940's.

Born in 1878, Castle was the grandson of Samuel Northrup Castle, a founder of the successful and nationally prominent mercantile and agricultural business firm of Castle and Cooke in Hawaii (1851). His father, William R. Castle, served as attorney general of Hawaii and as the country's minister in Washington. Raised in a family that stressed the values of public service, free enterprise, individual initiative, and Jeffersonian democracy, Castle, Jr., graduated from Harvard University in 1900. He soon after severed his ties to the world of business and sugar and committed his life to public service.

During the period from 1903 to 1916, Castle wrote and published several books of fiction as well as a basic history of the islands entitled *Hawaii, Past and Present*. From 1906 to 1913, he served as assistant dean at Harvard College. In 1915, he founded the *Harvard Graduates Magazine* and edited it for two years. During World War I, he entered the service of the American National Red Cross as Director of Communication and worked to relieve the ravages of war.

In 1919, Castle joined the Department of State as a special assistant, and from 1921 to 1927 he served as chief of the Division of Western European Affairs. Under President Calvin Coolidge, he became assistant secretary of state in 1927. He continued in that position during the Hoover presidency, and in 1930 Castle was appointed ambassador to Japan during the London Naval Disarmament Conference. He was, throughout his career, widely respected by contemporaries as an expert on Asia. In 1931, he replaced Joseph Cotton as undersecretary of state and was instrumental in drafting and defending the Hoover-Stimson "non-rec-

ognition" of Japan's 1931 seizure of Manchuria.¹⁰

For the most part, Castle's views on foreign policy coincided with Hoover's, who remained a close personal friend for the rest of his life. Before, during, and after the years of Hoover's presidency, Castle worked consistently for the principle of international cooperation for the avoidance of war.¹¹ Not a pacifist, he nonetheless felt that war was seldom justifiable as an instrument of national policy.

Castle's basic geopolitical preference for Japan was clear in his prewar non-interventionist position.¹² As an outspoken public critic of Roosevelt's, he urged the U.S. to recognize the changed economic and political realities in Asia and to negotiate flexibly and realistically with Japan.

In any case, the U.S. was in no military position to contain the expansion of Japan. Rather, the U.S. could, if it maintained peaceful relations, guide Japanese expansion in ways acceptable to American self-interest. For Castle, the likelihood of "guiding" Japan was certainly greater than of influencing Russia, which would surely take advantage of a vulnerable China if Japan did not.¹³ In an imperfect world, Castle believed, dealing with the lesser of two evils might be a more realistic choice than seeking to lead a self-righteous crusade to cleanse

¹⁰James L. Hollingsworth, "William R. Castle and Japanese-American Relations, 1929-1933" (doctoral dissertation, Texas Christian University, 1971), 26-34.

¹¹Stanley K. Hornbeck, "William Richards Castle: In Memoriam," speech delivered at a meeting of the Literary Society of Washington, D.C., October 26, 1963.

¹²See Alfred L. Castle, "William R. Castle and Opposition to U.S. Involvement in an Asian War, 1939-1941," in the *Pacific Historical Review*, 54 (August, 1985), 337-351. Castle had been sympathetic to Japan as early as 1927 when the Japanese government supported arms reductions at the 1927 Geneva Conference even in the face of Italian, French, and British reluctance to cooperate. Castle diary, March 2, 1947, Harvard University.

¹³Castle, unpublished manuscript, "The Far East," January 9, 1940, Castle Papers, Harvard University. For Castle's role in helping negotiate the London Conference, see Alfred L. Castle, "Ambassador Castle's Role in the Negotiations of the London Naval Conference," in *Naval History* (Summer, 1989), 16-21.



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General Douglas MacArthur looking on as infantrymen raise the United States flag to signal the recapture of the Manila Hotel, 1945. From a scrapbook of photos compiled by Col. Philip F. La Follette while the former Wisconsin governor was serving in the South Pacific.

the world of every wrong. By late 1941, Castle's faith that the U.S. could moderate Japan's expansionist plans had proven a mistake. Yet he joined Hoover and others in insisting that provocative moves by Roosevelt had played an important part in making impossible the American avoidance of Japanese aggression.

Castle was not overly apprehensive about Japan's proclamation of a "Monroe Doctrine" for Asia in the 1930's. In an article written for the *Atlantic Monthly*, he objected to the Japanese use of the parallel but added that highly industrialized nations historically had tended to dominate less advanced neighboring states. This had, for example, been the case with the U.S. and Latin America. Therefore, it was realistic to expect Japan to dominate China. If

the "Japanese Monroe Doctrine" really meant the blatant control of China, the U.S. might realize some advantages. Specifically, Japan would protect the area from outside (i.e. Russian) occupation, keep the peace, and foster international trade. Serious U.S. military opposition to such a doctrine would be expensive and perhaps unsuccessful. Such a stance would also endanger essential purchases of tin and rubber in the Dutch and British colonies.¹⁴ Further, in a *Saturday Evening Post* article, Castle claimed that hostile threats of a trade embargo had damaged American chances of using the

¹⁴Castle, "Monroe Doctrine for Japan," in *The Atlantic Monthly* (October, 1940), 445-452.

Japanese Navy to help guard the Pacific from outside aggression, particularly Russian, since Russia had less to fear from Germany following the signing of the nonaggression pact in 1940.¹⁵

During World War II, Castle made many public speeches arguing that Japan had been a country primarily seeking economic expansion and national security. The postwar negotiations would have to come to grips with Japan's legitimate economic needs and the reality of Russia as an expansionist communist state. In public appearances, he urged Americans to avoid indiscriminate hatred of the Japanese people. The war, he told an audience at Choate School, was with a militaristic government which would be discredited by their actions and would, after the war, be replaced by a liberal civilian government with which the U.S. could happily co-exist. Indeed, for Castle, a renewed Japan, under a civilian government, would be the cornerstone of America's postwar policy in Asia.¹⁶

CASTLE'S interest, which lagged in the immediate eighteen months after the war, was renewed in early 1947 when General Douglas MacArthur, Supreme Commander of the Allied Powers, announced his intention to purge Japanese business leaders in order to facilitate a wider distribution of income and ownership of the means of production. Castle's close friend Harry F. Kern, foreign affairs editor of *Newsweek*, had initiated a public attack on MacArthur's policy with the support of part-owner of the magazine and Secretary of Commerce W. Averell Harriman.¹⁷ Throughout 1947, Compton Pakenham, *News-*

week's bureau chief in Tokyo (and later a founding member of the ACJ), and Kern criticized MacArthur's handling of reconstruction and the emergence of a left-wing domestic labor movement causing, as they saw it, high inflation and economic distress.¹⁸

Kern received substantial support for his position from former president Hoover, then head of the Famine Emergency Committee, and from his former undersecretary of state, William R. Castle. Both men encouraged Kern to continue his journalistic crusade against MacArthur's *zaibatsu* policies. Castle stressed his prewar claim, shared by Hoover and other Japanists, that if Japan could be rehabilitated along capitalist lines, the country would become a strong bulwark against Soviet expansion. A peaceful, capitalist network would be an effective "safeguard against Russian domination" without the U.S. having to serve as the sole policeman of Asia.¹⁹ In short, a strong Japanese economy would provide for economic containment of Russia and obviate the need for expensive, long-term U.S. military containment.

By the winter of 1947–1948, Castle was in frequent contact with sympathetic members of the Japan Lobby. These included his close friend Joseph Grew, ambassador to Japan from 1932–1941; James Lee Kauffman, an attorney who represented American investors in Japan and one of the few foreign attorneys practicing in Japan during the period 1914 to 1938; retired admiral William V. Pratt, a close friend of Herbert Hoover; Kenneth C. Royall, secretary of the army; James V. Forrestal, secretary of defense; William H. Draper, assistant secretary of defense; Joseph Ballantine, special assistant to the secretary of state and former head of the Far Eastern Division of the State Department; George F. Kennan, director of the State Department's policy planning staff; and Eugene Dooman, former counselor in the American embassy in Tokyo and long an advocate for the retention of the Emperor's office and Japan's fundamental economic system. In

¹⁵Castle, "Japan and the Monroe Doctrine," in the *Saturday Evening Post* (July 20, 1940), 38; see also Arthur Krock's commentary in the *New York Times*, July 26, 1940.

¹⁶Castle, speech at Choate School, October 26, 1942. He repeated this plea for calm and critical thinking in his address to the Washington Chapter of the American Church Union at St. Paul's Church, February 7, 1943, Castle Papers.

¹⁷*Newsweek*, 29 (January 27, 1947), 40.

¹⁸*Ibid.*, 29 (June 23, 1947), 36–42.

¹⁹Castle diary, February 8–9, 1947.

constant contact, and in periodic consultation, with George F. Kennan, this group had formulated an alternative peace treaty for Japan by the fall of 1947. Its main features included the fundamental premise, long advised by Castle, that the long-term economic interests of Japan and the U.S. coincided. Moreover, since Japan could not change its "aristocratic social organization," misplaced economic idealism would only destroy Japan's economy without providing for viable alternatives. Japan should not be forced to accept a stripped-down version of its former economy nor to become a strictly agricultural nation. Rather, the Japan Lobby believed, Japan should be allowed to develop a powerful industrial base with a minimum capacity for self-defense.²⁰

Significantly, the ACJ was in tune with the growing consensus within the Truman administration that the economic rehabilitation of Japan was critical to American policy in Asia, especially in light of the collapse of the Nationalists in China and the Soviet threats to an economically weakened western Europe. The December 1, 1947, issue of *Newsweek* summarized Castle's position as well as the developing positions of the "Japan Crowd." Indeed, Kern, before preparing the issue, had transmitted a draft of his thoughts to Castle for comment. As was his wont, Castle circulated the draft among members and obtained a basic consensus. When the issue appeared, Kern could be certain that the ideas expressed were those of the powerful Japan Lobby.²¹ Indeed, the *Newsweek* issue was a summary of Castle's ideas as expressed in his private diary on January 9, 1948. The vast majority of Japanese did not want socialist solutions to their economic problems; the well-meaning but muddled ex-New Deal bureaucrats who made up much of MacArthur's staff had gone too far too quickly in their efforts to shape Japanese society to conform to an abstract ideal of a "democratized economy."²² *Newsweek* also quoted from the scathing Kauffman report, issued earlier in 1947, which found that the "crackpots" within MacArthur's bureaucracy had discouraged traditional Japanese businessmen, pampered labor, and undermined America's economic bastion against Far Eastern communism.²³

When MacArthur remained adamant and

urged the Japanese Diet to pass the SCAP industrial deconcentration bill that would effectively "break up" Japan's largest corporations, Castle assisted Kern and other like-minded leaders in organizing special missions to Japan. One of these leaders was Castle's friend George F. Kennan, the influential director of the State Department's policy-planning staff. In frequent contact with Castle, Grew, Dooman, and Ballantine, Kennan impressed MacArthur with the broad views of the Japan Lobby, the congruence of their ideas with changing official policy, and the necessity of placing Japan's future in the context of the long-term containment of communism.²⁴ Kennan was soon followed to Japan by William Draper and five representatives of America's most powerful corporations, led by Percy Johnston of the Chemical Bank of New York. Draper and his associates argued the familiar theme that the further dissolution of the *zaibatsu* would weaken Japan and delay its economic recovery and reintegration into a new capitalist order in the Pacific.²⁵ These missions, as well as changing policy in Washington, were enough to pressure MacArthur into moderating his position.

DELIGHTED with this success and convinced that a more formal lobby would be needed to continue the work of implementing programs in Japan which

²⁰Castle diary, September 12, 1947. For a recent discussion of Japanese demilitarization, see Meirion and Susie Harries, *Sheathing the Sword: The Demilitarization of Postwar Japan* (New York, 1987).

²¹Howard Schonberger, "The Japan Lobby in American Diplomacy, 1947-1952," 332. For an opposing view of a New Dealer, see Theodore Cohen, *Remaking Japan: The American Occupation as New Deal* (New York, 1987).

²²Castle diary, January 9, 1948.

²³James Lee Kauffman, "Report on Conditions in Japan as of September 6, 1947," enclosure in James L. Kauffman to Robert L. Eichelberger, May 13, 1949, in the Eichelberger Papers, Duke University.

²⁴George F. Kennan, *Memoirs, 1925-1950* (Boston, 1967), 395-410.

²⁵*Newsweek*, 30 (December 1, 1947), 37, and 31 (April 19, 1948), 42.

would foster social and political stability, stem inflation, reduce dependency on U.S. aid, boost exports and production, and speed peace, Castle agreed on June 28, 1948, to Kern's suggestion that he and Grew co-chair the American Council on Japan.²⁶ The appointment of Castle and Grew served to link the group to the important prewar pro-Japanese lobby which had stressed cooperation with Japan, mutually compatible spheres of economic influence, anti-communism, and keeping Asia open to American goods, investments, and liberal democracy. Further, the social and economic ties between members of the ACJ, various business groups, quasi-official policy-making bodies, and the highest-ranking groups within national government would give the ACJ unusual influence over the Truman administration's handling of Japan.²⁷

Throughout its short existence, the ACJ also served as an important source of contact with Washington for top Japanese business and political leaders. Prevented from maintaining representatives in the U.S., powerful Japanese officials, bankers, and industrialists sought the assistance of Castle and other ACJ members in efforts to bypass SCAP officials and to influence potential allies in the U.S. Castle, as a former ambassador to Japan (1930), was a major channel of communication largely because of his prestige in the Japan Lobby and his important contacts among Japan's civilian prewar leaders. Throughout the period 1947–1956, Castle's private diary reveals that he was in periodic written and personal contact with such dignitaries as Prime Minister Shigeru Yoshida, Foreign Minister Ashida Hitoshi, and Suzuki Tadakatsu, director of the influential Central Liaison Agency. From the study of his spacious home at 2200 S Street in Washington, Castle frequently interpreted U.S. policy to Japanese leaders seeking his opinion. Additionally, he served as an intermediary between Japanese officials and key congressional leaders, such as California Senator William K. Knowland and New Jersey Senator Howard Alexander Smith,

a powerful member of the Foreign Relations Committee.

One of Castle's most valued Japanese contacts was the aristocratic former admiral and foreign minister, Nomura Kichisaburo. Serving as ambassador to the U.S. at the time of the attack on Pearl Harbor, Nomura had been in frequent contact with Castle, seeking his advice concerning Roosevelt. By 1947, Castle had resumed his correspondence with Nomura, believing him to be a key to the future of a rebuilt, capitalist Japan.²⁸ Despite Nomura's being purged by SCAP in 1946, Castle recognized his friend's importance to Japanese-American relations. Nomura provided information about the activities of foremen as well as officers of the Imperial Navy right-wing nationalist rearmament organizations. He was a friend of the prime minister and other top Japanese officials. Further, Nomura's friendships with top U.S. officials such as Special Ambassador John Foster Dulles, Admiral Turner Joy, and Admiral Arleigh Burke were either initiated or fostered by Castle. For Nomura, Castle was a reliable source of advice and one who could assist him in his efforts to partially restore the Japanese naval establishment. More importantly, Castle's view of Nomura as being a "moderate" helped to make him respectable in the eyes of Washington officials. Because Nomura's view of Japan coincided with that of most members of the ACJ, he would continue to serve as a key link to Japan throughout the remainder of U.S. occupation.

Other prominent officials saw Castle as a vital link to Washington and American business leaders. Castle, well known to most of Japan's prewar economic, civilian, and military leaders, took a hand in shaping the ACJ's recommendation that American private investment play a major role in Japan's economic recovery. To facilitate this recovery, Castle joined other ACJ leaders in calling for a uniform and fixed exchange rate for the yen. Such an exchange rate would also help Japan expand its exports, which were critical to its becoming a self-supporting nation.²⁹ Moreover, Castle, in private

²⁶Castle diary, January 14, 1948.

²⁷*New York Times*, July 27, 1948.

²⁸Kiba Hirotsuke, *Nomura Kichisaburo* (Osaka, 1961), x.

²⁹Castle diary, June 29, 1948.

conversations with Japanese officials, came to believe that to encourage U.S. investment in Japan, the U.S. should guarantee the principal and interest on loans to Japanese industrialists. Castle also urged, through his private conversations with congressmen and State Department officials such as Walt Butterworth, director of the Office of Far Eastern Affairs, the revision of tax liability laws to allow American corporations to repossess their Japanese properties lost during the war. Castle believed that Washington could also tie Japanese development to U.S. economic interests if it served to pressure the Japanese government into repealing a moderate Japanese tax, patent, and anti-trust regulation unfriendly to foreign investors.³⁰ This position would help ensure the continued public activity of the ACJ by surveying business opinion and by openly lobbying for favorable tax legislation in order to facilitate the interdependence of the U.S. and Japanese economies.³¹

AN example of Castle's behind-the-scene activities on behalf of the ACJ's political and economic positions was his relationship with Watanabe Takeshi, a former viscount who was deputy chief of the liaison office of the Finance Ministry under Fukuda Takeo. As the government's intermediary in questions concerning both national and international finance, Castle arranged for the bilingual Watanabe to be invited to join the prestigious Metropolitan Club in Washington.³² Like so many Japanese business leaders and officials, Watanabe was introduced to key ACJ members and sympathizers after being referred to Castle by Prime Minister Yoshida.³³

Through Castle, for example, Watanabe met Kern, Pakenham, Draper, and Kauffman, who would promote his later career in the U.S. with the International Monetary Fund and the World Bank before he became president of the Asian Development Bank. Through Castle and other ACJ leaders, Watanabe provided justification for SCAP to dispatch financial experts empowered to straighten out Japan's economy. On February 1, 1949, Joseph Dodge, a prominent Detroit banker and Marshall Plan financial expert, arrived in Japan as an advisor to SCAP. A friend of Castle and Watanabe, Dodge sought to implement the position of the ACJ. In March of 1949, he applied the occupation's "reverse course" economic program into an austerity budget which the Japanese Diet immediately passed.³⁴ Dodge also began the U.S. Counterpart Fund Special Account, which pooled the proceeds from the sale of American aid commodities for investment to boost industrial production. This would, in turn, enhance the fortunes of political leaders selected and nurtured by the ACJ.³⁵

In addition to assisting influential Japanese business and government officials to make contacts in Washington, Castle also played a key role in ensuring that ACJ policy became intertwined with official policy. No clearer example of this exists than George F. Kennan's reliance on him for suggestions and comments on Kennan's famous National Security Council Document 132, which was approved by the President in October of 1948.³⁶ This document, which represented an official turning point in policy toward Japan, closely paralleled long-held ACJ positions. Castle, who had long respected and valued Kennan's work, maintained the fundamental position that Japan should be restored to independence and economic self-sufficiency. Japan would become a loyal ally if SCAP would phase out its regulatory activities and end the purge of "natural" prewar civilian

³⁰"American Policy Toward Japan: Statement for Private Circulation Prepared in Conjunction with Members of the American Council on Japan by Harry Kern," n.d., in Harry F. Kern to William V. Pratt, April 8, 1949, in the Pratt Papers, Naval War College Archives, Newport, Rhode Island.

³¹*New York Times*, January 9, 1950.

³²Castle diary, October 31, 1952.

³³*Ibid.*, March 16, 1950.

³⁴Kern correspondence with Dodge, in the Joseph Dodge Papers, Detroit Public Library.

³⁵John G. Roberts, *Mitsui: Three Centuries of Japanese Business* (Tokyo, 1973), 403, 443.

³⁶Michael Schaller, *Douglas MacArthur: The Far Eastern General* (New York, 1989), 154.

Japanese leaders. Castle felt, and the NSC report agreed, that the pure objective should be to terminate reparations, eliminate most restrictions on Japanese industry, and promote export-oriented production. Moreover, SCAP and the Japanese government should be forced to allocate raw materials in ways that promoted export production over domestic consumption while limiting social welfare spending and forcing workers to accept a reduced standard of living. Along with Ballantine, Grew, and General Robert Eichelberger, with whom Kennan shared his draft of the critical document, Castle urged that as a strategy of containment, Japan must quickly become the economic hub of a revived Asian trading network.³⁷

Most significantly for official policy, President Truman used the mandate of his election in November of 1948 and the success of the Democrats in regaining control of Congress to implement the document's recommendations. On December 10, 1948, he issued a nine-point directive to SCAP and appointed a special emissary, the conservative banker Joseph Dodge, to ensure that the "reverse course" policy was acted upon. Despite denunciations from MacArthur and delays in implementations, SCAP ultimately surrendered. Promoting a far more conservative economic and social agenda, SCAP turned its attention to suppressing left-wing labor and political groups while simultaneously opening new dialogue with traditional Japanese conservatives. Indeed, as the SCAP drifted to the right, unions composed of some government workers, communication workers, railroad workers, and educators led strikes and demonstrations against the new policy. By late 1948, much to the delight of the ACJ, MacArthur stripped all government workers of their right to strike or bargain collectively. Privately, MacArthur claimed that his measures had split the Socialist party and set the example for private employers to check the labor movement.³⁸ As Castle contemplated the new decade of the 1950's, he had reason to feel optimistic as the old ruling elite stood ready to displace the SCAP bureaucracy and Japan appeared

poised to become a revived regional power. As he saw it, such a Japan would exchange its manufactured products for Southeast Asian raw materials, thereby ensuring that this strategic area would, as it achieved political independence, become linked to Japan's economic orbit.³⁹ Moreover, most of Japan's exports would go to the U.S., ensuring close relations for years to come.

WITH the beginning of the new decade, Castle shared with Kern, Grew, and other ACJ leaders the concern that the State Department was too slow in granting Japan a peace treaty. In a private meeting with Judge Kuriyama, a Japanese Supreme Court judge sent to Washington by Prime Minister Yoshida, Castle was told that a delayed peace treaty would embitter the Japanese at the very time relations with Japan's ruling elite had improved. Such a position was reinforced by notes sent to Castle by Matsudaira Yasumasa, member of the imperial household, Sarada Renzo of the Foreign Ministry, and other top officials.⁴⁰ Castle felt that the delay in a final peace treaty was the result of the State Department's preference for an indefinite perpetuation of the occupation to guarantee American pre-eminence in Japan. Particularly upsetting was the fact that Russia was "bribing" Japan with the promise of returning the Kurile Islands to Japan if Russia were allowed to participate in a multilateral peace conference. Prolonged delay seemed to open the door for Soviet penetration of Japan.

To help move the peace process forward, the ACJ, led by Kern, produced a position paper on the "ideal peace" which stressed the need for Japan to partially rearm and ready itself for possible future combat with Russia, the development of an adequate internal police force and coast guard to deal with internal radical subversion, the right for Japan to repeal SCAP

³⁷Castle diary, August 16, 1948.

³⁸Miriam Farley, *Aspects of Japan's Labor Problems* (New York, 1950), 189-207.

³⁹Castle diary, December 8, 1948. Castle's diary entries reveal that he and Kennan continued to meet privately to 1950 in an effort to compare notes on the progress of the "reverse course" strategy.

⁴⁰Castle diary, March 16, 1950.



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General MacArthur and Major General Fuller with their driver. From the Philip F. La Follette scrapbooks.

reforms which lacked the support of the ruling elite, and a self-supporting, productive Japanese economy through the encouragement of private investment and free enterprise. The policy report, which had been reviewed and approved by both Castle and Grew, was distributed to key policy makers together with a detailed report written by Castle, Dooman, and Admiral Thomas Hart which further argued that the State Department should permit an enlarged Japanese merchant fleet in the final peace treaty.⁴¹

The Japan Lobby received a major breakthrough in May of 1950 when John Foster Dulles was appointed by President Truman as a special ambassador to a peace treaty with Japan. Because Dulles' brother Allen was a close friend of Castle's and because he maintained close ties to other key ACJ members, Dulles would serve as a link in the official negotiations for peace.

Before leaving with Kern for Japan, Castle compiled a list of "well-informed" Japanese for

Dulles to consult and from whom he could receive valuable information. Indeed, Kern persuaded Dulles to terminate plans for extensive meetings with various groups, and instead to attend a private dinner at Compton Pakenham's residence.⁴² Such a meeting, Castle and Kern hoped, would serve to bridge the chasm between American peace-treaty objectives which included the unpopular retention of American bases and Japanese rearmament, and what was politically acceptable to the traditional governing class which demanded respect for Japanese sovereignty, neutrality, and demilitarization.⁴³ The guest list Castle had suggested to Kern included Castle's personal friends Matsudaira Yasumasa, who represented the imperial institution which Castle felt was a key to the treaty; Sarada Renzo, a former vice-minister of foreign affairs who was closely tied to the Mitsubishi Zaibatsu; Kaihara Osamu, a policy and military expert who was helping to expand the existing "constabulary"; and the ubiquitous financial expert Watanabe Takeshi.

⁴¹"The Position of Japan in the Framework of American Policy Toward the Far East," n.d., in Harry F. Kern to William V. Pratt, March 22, 1950, Pratt Papers.

⁴²Schonberger, "The Japan Lobby in American Diplomacy, 1947-1952," 352-353.

⁴³Frederick S. Dunn, *Peacemaking and the Settlement with Japan* (Princeton, 1963), 98.

Articulated only three days before the Korean War erupted, Dulles' ideas on the necessity of Japanese cooperation against communism in China and the Soviet Union were solidified by the unexpected military onslaught.⁴⁴

With the outbreak of the Korean War in June, 1950, Japan's industry was bolstered by United Nations military procurement orders, American technology, and foreign investment. The need to rebuild Japan—an old idea for the ACJ—was now accepted by a majority of Americans. With Japan's industrial leaders partially out of commission as a result of postwar purges, MacArthur's policy of purging such prewar captains of industry would have to be ended and the economic concentration of the old *zaibatsu* restored. More importantly, to secure the vital cooperation of Japan against communist aggression, an early peace along the lines suggested by Castle and the ACJ would have to be reached. The rewards of such a peace were, in the eyes of William Castle and other ACJ members, already being anticipated. In addition to economic support for the U.S. in the war, Castle informed Dulles that Japanese intelligence agents, who formerly had operated in China, could be recruited by the U.S.⁴⁵

To ease the acceptance of a treaty with Japan, Castle joined other ACJ leaders in using the anti-communist hysteria of the early 1950's to disarm potential critics of the treaty. In constant contact with his Senate friends such as William Knowland and Alex Smith, Castle urged early acceptance of a treaty which would ensure Japan's connection to the U.S. As for the troubling issue of U.S. military bases, Castle told Senator Smith the U.S. "ought to impress on the Japanese that we were not asking for military bases with any idea of keeping them, that we wanted them only so long as the possession of the bases minimized the danger of an attack by Russia on Japan."⁴⁶ Privately, Castle communicated this position to his friends in Japan.

In addition to lobbying influential Senate allies, Castle continued to propound the ACJ view before business forums, the national press, and meetings of the United States Chamber of Commerce. Through this latter organization, he delivered numerous luncheon ad-

resses while reviewing and assisting in the writing of speeches delivered by Harry Kern at such forums as the Bankers Club and the Export Managers Club.⁴⁷

The objective of a successful peace treaty was soon realized. In early 1951, Dulles convinced the Yoshida government to make a deal whereby the Japanese could retain full independence if, in return, they agreed to create a small defense force and sign a ten-year treaty (which could be renewed) guaranteeing U.S. military bases in Japan and Okinawa. The Soviets would be excluded from the treaty as they had been from the Occupation. In September of 1951, forty-nine nations formally ratified what Dulles had already achieved with the assistance of the ACJ. Essentially a peace without Asians—China, India, and Russia did not sign—it was a treaty tailored to America's Cold War needs and interests. To weaken China, Yoshida even had to guarantee Japanese recognition of Chiang Kai-shek and agree to forgo trade with mainland China as a condition for Senate ratification.⁴⁸

Within a year or so after the treaty was ratified, the Japanese antimonopoly law was effectively negated, the Mitsubishi combine had essentially been resurrected, and other *zaibatsu* were in the process of reforming. The revival of the Japanese economy was hastened by

⁴⁴Dulles was further impressed when the Emperor Hirohito sent a message through Matsudaira to Kern and Pakenham in which he sanctioned Dulles' receiving his information from highly placed reliable sources. The message read in part: "It has always been His Majesty's hope that Americans in authority visiting Japan for inspection and survey proposed should be allowed to discuss matters openly and frankly with prominent Japanese on their own comparative level. He is most gratified that a precedent in this regard has been set under the initiative of Mr. Dulles. So far as the [the Emperor] knows, this is a unique case." For full text, see "Pakenham Notes and Emperor's Message" in Harry F. Kern to William V. Pratt, September 8, 1950, Pratt Papers.

⁴⁵Castle diary, August 17, 1951.

⁴⁶Harry F. Kern to John F. Dulles, January 15, 1951, in the Dulles Papers, Princeton University.

⁴⁷Harry F. Kern to Robert L. Eichelberger, March 24, 1949, Eichelberger Papers.

⁴⁸LaFeber, *The American Age*, 491–493. See also Howard B. Schonberger, *Aftermath of War: Americans and the Remaking of Japan, 1945–52* (Kent, Ohio, 1989), 236–278.

American investments, and the American market was opened to unlimited exports of Japanese goods. As Castle and the ACJ had predicted, Japan's economic reliance was followed by its political alliance and support of U.S. policy.⁴⁹

ALTHOUGH the objectives of the American Council on Japan had been realized, and it partially disbanded as a formal group in 1952, William R. Castle continued to serve as a link between businessmen and opinion leaders in both countries. Indeed, Yoshida credited Castle with much of the success of the treaty and petitioned Dulles to appoint Castle as ambassador to Japan.⁵⁰ Because of his advanced age and precarious health, this was out of the question. Nonetheless, until the late 1950's, Castle was frequently consulted by the Japanese ambassadors to the U.S., Prime Minister Yoshida (who called on Castle in person on November 12, 1954), members of the Japanese Diet, foreign ministers, top-level Japanese business leaders, and Crown Prince Akihito and his wife. Castle continued to provide reliable assistance in lobbying Congress on policy related to Japan, in obtaining loans for Japanese industry from wealthy friends, and in introducing young Japanese businessmen to important business leaders in the U.S. In his numerous visits, Castle was often given privileged information by Japanese contacts who solicited his opinion about how U.S. policy makers in the Eisenhower administration would react to various diplomatic positions.⁵¹ Indeed, the de facto headquarters of what remained of the ACJ had shifted to Castle's home in Washington. His prewar dream of a Japanese civilian democracy led by civilian conservatives and a demilitarized Japanese economy aligned with U.S. interests was largely realized by 1956. His continuing unofficial service to the ideal of peaceful, economic containment of communism and a revived Japan committed to peace and prosperity would be the last in the life of this active ex-diplomat. In Castle's final meeting with Secretary of State John Foster Dulles in 1956, it surprised no one who knew Castle that Dulles told him that while he was in Japan

that year, "the Japanese talked about you [Castle] more than any other American and said you really understood their people and their problems."⁵² The "people" Dulles and Castle knew were the elite, conservative, dominant class of Japan who, under a constitutional monarchy, maintained their prewar power and accepted a privileged position in the American-dominated system of global capitalism.⁵³

Castle's influence on the changed U.S. policy toward Japan after 1947 was, finally, far from determinative. Although widely respected by conservatives familiar with his quiet power and influence in the 1930's, he was no longer able to move those not already convinced by his view of Japan after the war. His leadership of the ACJ was largely symbolic of the group's continuity with prewar conservative policy.⁵⁴ Although Castle's role in effecting change in U.S. policy toward Japan was not a pivotal one, he nonetheless played a quiet, behind-the-scenes role in advising, making key contacts, and drafting speeches. His contacts with top business leaders, quasi-official policy-making bodies, and the highest orders of government aided the ACJ substantially. His views on Japan, though not profiting him personally, did coincide with the interests of American business. In the emerging postwar anti-communist bipartisan consensus, his views blended with those of the more significant players such as Kern, Harriman, Truman, Kennan, Acheson, and Dulles. William R. Castle continued to be respected and consulted by Japanese prime ministers and Republican leaders alike, and his dream of a democratic and capitalist Japan, tied to the U.S. economy and a bulwark against communist expansion, seemed realized by the mid-1950's.

⁴⁹Roberts, "The Japan Crowd and the Zaibatsu Restoration," 409.

⁵⁰Castle diary, January 3, 1952.

⁵¹*Ibid.*, June 7, 1956.

⁵²*Ibid.*, October 30, 1956. Pakenham had asserted that the Japanese leadership still regarded Castle as their "only American Ambassador." Castle diary, January 11, 1956.

⁵³Schonberger, *Aftermath of War: Americans and the Remaking of Japan, 1945-1952*, 284-285.

⁵⁴*Ibid.*, 144-145.