

*Mr. Shupak*

Conference in Government Section on 12 September 1947 at 1:30 p.m.

Present: ESS--Anti-Trust and Cartels	Mr. Ortman, Mr. Rose
CI&E	Mr. Sullivan, Lt. Passin
ESS--Industry	Mr. Ries, Mr. Stanek
ESS--Finance	Mr. Baron
ESS--Labor	Mr. Collett
ESS--Textile	Capt. Rathofer
Legal Section	Mr. Carrington
8th Army Procurement	Lt. Col. Fregosi
CIS--Public Safety Division	Mr. Shupak, Mr. Fritz
	Major Johnson
Controls Coordinating Committee	Miss Jackson
Government Section	Mr. Meyers, Mr. Matsukata,
	Major Bieber

Mr. Meyers: Gentlemen, I don't like to start without Col. Fregosi, but since we are going to discuss the background and information which the various sections have in their own outfits, I think that we can proceed without feeling that Col. Fregosi will be slighted, and he can obtain the information later from me or from anyone of you gentlemen whom he wishes to contact.

I am afraid we will have to proceed along fairly strict lines of adherence to this agenda and the procedure that I have outlined on these mimeographed sheets, only for the reason that our time is limited and we have a tremendous amount of information to get across.

I have laid before you brief statements both of Public Safety Division, CIS, and our own preliminary investigations, intended merely as a minor background in case those of you who are here may not have a full background upon the subject or in case your own particular field has been rather narrow. These are of value both from the informational side and in addition from the present proposed operational angle.

If it is possible I think it is advisable for all of us when we discuss the studies that may have been made by the sections to be as brief as possible; and I would like to start off with ESS--Anti Trust and Cartels -- Mr. Ortman.

Mr. Ortman: Our interest in Oyabun system has stemmed from two of the functions of our Division which (1) is our interest in associations. One of the principal methods by which the Oyabuns have continued their control over various industries has been through various associations they have formed.

Another interest of our Division is in regard to the Anti-Trust Law. Many of the Oyabuns have promoted their control through reforming into companies. In many cases these companies are formed contrary to the Anti-Trust Law. Those are our principal interests in the matter.

The first case in which we came in contact with the Oyabuns was the street stall and local associations. It became quite evident that a number of individuals were being compelled to join certain associations in order to engage in business, whether the business was running a restaurant or running a beauty parlor or operating a street stall. I might add that that was against the intent of the SCAP policy in regard to associations. These associations were compelling individuals to pay dues, to conform to certain standards, to charge certain prices, and in general controlling the business of their members. That was the first place where we came in contact with the Oyabuns.

Another point was in regard to the construction industry. We came across an association there which was not composed of Oyabuns, which had actually no apparent direct relationship with Oyabuns, but the leaders of this association were attempting to maintain the status quo in the construction industry and in doing so they supported the Oyabun system. Many of them were connected with the Oyabuns very directly.

NOTE: "Gummi" should be spelled "Gumi" wherever it appears.



The labor was supplied by the Oyabuns. This association wasn't composed of any Oyabun, but it was working to their advantage and helping to maintain the Oyabun system in that way. Those are the two principal cases we have had come before us.

Mr. Rose: NRS recently worked with the Agricultural Cooperative Law. We are working on a Fisheries Cooperative Law and Consumers Cooperative Law and Commercial Industrial Law and it is probable that there will be more, but we feel that the enactment of the legislation in itself will not only be useless but may well be dangerous in continuing the systems unless something is done.

Mr. Meyers: Do you have any further information in some detail on the problem with which you have been faced which would indicate the extent both of the influence of the Oyabun, the methods of their operations, their strength, their weaknesses and the degree to which they may tie into other fields other than your own.

Mr. Ortman: In connection with that we have collected a large amount of information in connection with these problems. We have collected a large amount of information on these organizations and Oyabuns in general -- more information than we could bring up here. We have definite information that shows the connection with certain of the political parties. We have information showing that we have high individuals in this Oyabun system who have run for public office in a large number of cases. We further collected information showing the strength of a number of these Oyabuns. We have personally interviewed six or ten of the large Oyabuns in the Tokyo area and found that they averaged five to six thousand Kobuns in most cases. We have found in a number of cases we have come across where they collect taxes. We have found a number of cases where they compelled -- under threat of violence -- their members to join these associations and abide by the rules of these associations.

Mr. Rose: We also have the results of field trips. We have found in the transportation system Oyabuns and in the harbor transportation and express work -- right across the board in all of the trades and industries.

You see in attempting to create an institution like a cooperative which presumably operates on democratic lines with the election of a head and directors and so on, and with the background of an Oyabun system, it is our fear that the forms of the cooperative will be used whereas the staff and the organization of the old Oyabun with none of the democratic features will actually be established, and since there is such insistence for the formation of the group type of activity in this country, it is almost essential that we have some form of a cooperative law in order not to create too great a hiatus in the country.

Mr. Meyers: Are there any questions to be asked of Mr. Rose and Mr. Ortman? If not will Lt. Passin or Mr. Sullivan speak next?

Mr. Sullivan: All of the information that has been gathered by the Plans and Policy Unit of CI&E has been gathered from Public Safety, ESS--Anti-Trust and Cartels and the Labor Division, so our information will be discussed by each sections. Lt. Passin has more information.

Lt. Passin: I'm rather in a strange position with reference to the problems here for the reason that we have no specific area of policy responsibilities. Our job is to throw as much light as possible on the characteristics of the Japanese social structure that may have something to do with all of these problems, and to go into problems of sociology and public reform. The only ripple of light that I could throw on the problem is first from the standpoint that find in rural areas and secondly from the standpoint of perhaps necessary cautions.

If I may start with the cautions first. The Oyabun-Kobun system is not just a system of corrupt or illegal activities. It is profound. Its profoundness lies in its wide-spread extent throughout Japan and its tremendous historical depth. Its essential characteristic lies in the hierarchical relationship between a set of individuals. What you have in Japan is that people normally expect to enter that relationship, because in almost every rural village of Japan for hundreds of years you have had persons of influence assuming this position of control, of authority, of protection and so on over people of lesser influence and lesser position.



You can examine almost every section in Japan and you will find that to some extent the relationship between individuals tends to take on that form. Sometimes it is highly organized and sometimes it is not very organized. When you come to the urban situation it is highly specialized and organized in terms of the over-all picture of Japan. The point is that the great majority of the Japanese people expect that this is the natural form of social relations. That is why when you think of setting up cooperatives and you have a general fear that it will revert, I think it is a genuine fear. I think it is more than feasible. I think the problem is that the Japanese people expect it and are willing to acquiesce.

You have another problem from the point of view that the urban population consists of the second sons. All of these people have grown up under such a system. In the rural area, the difference from the urban area is in the benevolent aspect of this situation. A rural Oyabun is really concerned with his people. You will find consistently that the rural Oyabun is more concerned with the benevolent aspect than the urban Oyabun may be. I think we have to remember that this dimension exists. It has deep roots in the thinking of the Japanese people. The notion of personal loyalty carries over from pre-feudal man. It is the notion of a necessary relationship between the lord and the retainer. I think you will find when we start attack the system that there will be a strong feeling in the initial instance to rally around the Oyabun and give protection and you will see the gangster effort resulting from this basic set of connections.

For example, when we talked to Kobun and asked what their feelings were with the Oyabun now that the Oyabuns were losing their land under the Land Reform Law, you would be astonished at the expressions of sympathy on the part of Kobun and their firm determination -- at least in their own minds -- to rally around the Oyabun and give him support.

Now, I want to do two things. I want to make sure this emphasis is clear. I think it would be a sad mistake to try to hit only the abuses of a system whose roots lie very, very deeply and which has tremendous tenacity.

Secondly, I want to talk briefly about the rural situation. You find that persons in authority in any phase of rural activity -- the cooperatives, the farmers' union, the mayor of towns -- all tend to take on the Oyabun type of position. Sometimes they are called Oyabun, sometimes they are not. The important thing is that they act very much the same way; that is, the people look to them for guidance and accept their orders in return for which they presumably are supposed to receive certain favors. You will find this in many agricultural associations. In the last elections, I suppose you all know in many cases you only had one candidate. By and large in these areas it was recognized that you had one Oyabun and so his word was generally followed. An important thing, I think, is that in most cases there is no physical violence involved in the feeling of loyalty. It is a spontaneous relationship of loyalty and obedience on the large part of the Japanese people to a situation they think is quite normal.

Mr. Meyers: Is that true in the rural area only or is it true also for an urban area?

Lt. Passin: It is true in the urban area considerably. You take the commercial types of Oyabun -- the shopkeepers who have for generations have been in certain towns of Tokyo. Many have extensive family connections involved. You will find places like Ome City which is a Tokyo Prefecture city, places around Kyoto, where for many generations all of the merchants, sometimes of one particular line of goods or sometimes all of the merchants, belong to the Oyabun system and except for a few instances where the older type of Oyabun exists there is no compulsion. The people grow up in the system and they take over from their family their position in whatever group it may be. They take over with their shop their relationship to the Oyabun and his family. The only case I looked into in any considerable detail there is no evidence of coercion, or any evidence of any feeling of restraint or oppression on the part of the Oyabun. That is something that they freely accept and are glad to have.



Now, when we get into the question of these gangster outfits you have a complex situation. In some instances they often take better care of their people. Insofar as that fact exists you can see another sort of loyalty. You have the development of a type of gangster ethics which is not even uncommon in the United States -- an honor among thieves. I think the element of personal loyalty as distinct from the element of coercion is strong and must be borne in mind at all times. The element of coercion and oppression you all know about. Everybody gets complaints about it. You can localize it. You can name the Gummi that uses force, but I think that this only part of the picture. The picture can only be rounded out by realizing the extent to which this is a voluntarily supported thing on the part of the Japanese people.

Well, I could go on and give you the details on how the Oyabun works, but it is very small scale stuff compared to the type of stuff you people have to face.

Mr. Meyers: I think it would be more advisable to go into the type of problem we have to face.

Lt. Passin: We have been making a study of the internal structure, and the organization closely parallels the highly organized Oyabun in the rural areas. The general hierarchy and the general chain of authority is not very different. Some of the gummi are fairly new in which case they haven't developed very extensively, as far as loyalties on the part of the Kobun, because they are new and they are not very different from hired labor or indentured help. But in some gummi the membership is traditional in all of the ranks through generations. Many of the Kobun have been in for two or three, four generations as far as they know about their family background. The position of leader of the gummi, the leader of the gummi, the Oyabun himself is handed down within one family from elder son to elder son. In the event that a proper person isn't available they resort to adoption. In the particular cases that have been looked at, there has been no adoption.

One I looked into: the present head was twenty-six years old, quite young, but his older brother died. You have beneath him two lieutenants or superintendents who are also traditional or in whose family lines the position is always traditional from the eldest son to eldest son. That has continued since -- this particular one that we are looking into started in the eighteen fifties. That position has continued in that family since that time. At the next level of the system you have groups of sort of foremen or strawbosses, the majority of whom have followed the tradition of their family in participating in the gummi. There are a few who have come in from the outside. When you get down to the lowest level you find large groups of new members have new Kobun who have entered into the system but a good percentage of them have had the same position their families have had for several generations.

Now, the general belief of the lower ranks is that obedience is automatically required. They are very formal. They go through ceremonies of entering the system and ceremonies to leave the system and ceremonies during the year to re-enforce the membership in the party and their solidarity. This is a rather small gummi and they have only 350. Some are as large as fifty thousand. This gummi doesn't use any pressure to keep people within it and they have lost very, very few people. Unionization was tried and this is one of these cases where the union organizers were beaten up and thrown out by the Kobun themselves, and they have not entered into any union. The gummi generally operates in construction work but on the side operates in gambling work to take care of their welfare aids. In some other gummi they don't bother with welfare, but in this particular gummi they spend a good deal of money on welfare. If a person is sick they take care of his family. They will send him to the hospital, they will help him fix up his house and things of that type. In the cases of large gummi you simply can't have that type of solidarity. The one case we know about we have taken interviews with the Kobun -- some of them got fearful after a while and we had trouble finding them -- in the interviews it was quite clear that their personal attitudes were quite loyal. It is quite clear that loyalty is a very, very primary consideration.



Mr. Matsukata: Excuse me, but on that study of that gummi that you made, what type of a gummi was it?

Lt. Passin: Basically a construction gummi with some gambling on the side. They may have other things on the side.

Mr. Matsukata: Does the Oyabun-Kobun relationship necessarily mean that their gummis are all loyal Kobun, because in listening to your explanation, I note more the impression of some types of family system, because very often the families have acquired different people in their trades. It got so big that it was called the gummi rather than the family system.

Lt. Passin: That is a very important point but this is a gummi. In many cases they are close to extended family type of enterprises. In some cases it is a very legitimate business. Some of them are very close to an organization in form.

Mr. Matsukata: Because you take the Black Dragon system which is certainly an Oyabun relationship and it is not handed down from generation to generation.

Mr. Meyers: Could you categorize the types of Oyabun-Kobun relationship, that is as they appear in various industries or various businesses legally or illegally.

Lt. Passin: Well, I don't think I could do it completely because I would like to fit all the things that people are finding out into what we have picked up on the thing. That is you can say there are some types relating to the family system. In the purest cases in the rural areas the Oyabun is simply the main house. That is one type and I think in the urban areas too, you can have extended enterprises that will run with an Oyabun but are an extended type of the family structure. I think another type would be one in which the relationship is based upon land in which the landlord is the Oyabun and his tenants are the Kobun. I think that is the major type. There are a lot of variations. I think another major type is one in which the organization performs a legitimate family function -- in rural areas it may be sawmills -- it may be the hiring out of day labor or various things of that kind. In towns it may be organizing commercial associations or guild-like units -- perhaps the guild is the best term for them, guilds on the order of a feudal guild. Then I think you have a number of types that have developed from a guild type that become so close to the modern stock company organization that there is only one move till they turn into something like the Mitsubishi or other type of organization.

In the illegal types you have traditional illegal types. For instance, the gamblers that have an illegal position. You have the really illegal types -- people using this organization to engage in gangster activities. Any time some fellow gets an idea for a racket, he can organize some kind of a structure and use that for the basis of his operation. You have some of them that are far older so that even within the illegal enterprises you have variations. It is simply a type of relationship between individuals and can be applied to a wide variety of situations.

Mr. Meyers: Miss Jackson, are you representing ESS-Price Control or are you sitting for the Controls Coordinating Committee?

Miss Jackson: I am sitting in for the Controls Coordinating Committee, and have nothing to offer in that capacity.

Mr. Meyers: That brings us to ESS/Industry and Mr. Ries.

Mr. Ries: I think I am just going to sound off for the time being and Mr. Stanek has a very important subject to explain. We are, of course, to follow up Lt. Passin's ideas to follow up the legally illegal type of the Oyabuns system and its influence on the production of Japan. The Industry Division is mainly concerned with the productive capacity. We have met recently at various times over various kinds of disturbances caused by the Oyabun system. One of the latest examples was a strong disturbance of the coal mines down in south Kyushu where organized gangs belonged to the group of Oyabun -- to the gummi type and have



intimidated the workers inside the mines. We found out the police were unable to check the activities of these gangs who remained underground for considerable time. We were rather upset and are afraid that this kind of disturbance which apparently has a certain political background is going on and is going on to disturb this most vulnerable part of the Japanese economy.

Mr. Collett: We happened to meet with a group of people from Fukuoka that had a little more information on these gangs. It seems that after changing the thirty policemen in the particular area including the chief and thirty of the various policemen of that area -- putting in new ones with new instructions, these gangster raids suddenly dispersed, and not until that move was made were they able to cope with that situation at all.

Mr. Ries: I heard about that but we understand that other cases are started now. It is only an indication today of what may one day be a great menace.

The second thing we are interested in is that question of the distribution of materials which is strongly influenced in certain districts by the various gummis, or even I would say by types of Oyabun-Kobun groups which belong to the more benevolent group -- the rural group. Anyhow it is difficult to institute air-tight distribution even an air-tight allocation system with this type of shadow government, or with this type of sociological structure of the Japanese people still being around and influencing the general sociological structure of Japan.

The third and by far most important aspect of the gummi system from the viewpoint of our own division is the influence of the gummi system in the construction system and I would like Mr. Stanek to discuss this. He is a member of our construction branch.

Mr. Stanek: Well, we don't have too much on the gummis. I think probably Mr. Collett and Anti-Trust and Cartels have more dirty evidence than anyone. At any rate the Contractors Association is a continuation of the bureau from wartime and nothing was done. They merely changed their names. They call themselves the General Contractors Association, a very ultra-nationalistic group during the war, but at the present time they have been very exempt from any restrictions on construction or limitation of their activity. There is supposed to be an allocation of materials on all construction in Japan, but every time we find something going up that isn't supposed to be going up, you can always trace it back to the fact that some contractor is not only constructing it, but exactly how we don't know, but he is involved in the ownership. I suppose it is due to the same system. It seems most of our trouble in construction in Japan and persuading them to build houses and things they need instead of entertainment or black markets can all be traced back to the contractors. The contractors -- I don't know whether they condone this sort of thing, but all these gummis belong to these associations that are mixed up in this are mixed up in these markets and they raise Cain with our allocations system. The permit system is working pretty well because the entire construction can be seen from a mile away and they are afraid somebody will be removed from office if they allow too much to go on. There is quite a bit of it that goes on yet, and the government officials, especially local, seemed to be very afraid of the gummi gangs, and they are afraid to stand up and say, "No, you can't have a building permit for this or that." Now, that undoubtedly works in some kind of an Oyabun system. We call them the contractors zaibatsu. They certainly have a lot of influence -- far too much for the good of the country. There is a rumor that they control eighty seats in the Diet, and it is not a questionable fact.

Mr. Meyers: Mr. Baron, you are from ESS--Finance?

Mr. Baron: I'm from the Public Finance. The only time we ever ran into anything was in the collection of taxes -- or income taxes. Up to recently the taxes were assessed by the local tax official and they made some extensive use of what I assume is called Oyabun, to assess the taxes down among their particular members. For example, one man



in charge of a number of street stalls would work with the tax office to assign the taxes to the collector on the various members of his little group. Since that time we have established a system reversing the assessment from the government to the individual and resulting in less use made in the Oyabun, and presumably, eventually it will die out in that particular activity.

Mr. Meyers: May I interrupt to ask a question. This reversal was made by the local government?

Mr. Baron: No, it was made -- it is a national law changing the system of tax collection from assessment by the government to a self-assessment system. It has no particular relationship to the Oyabun system, but under the old system the Oyabun was made use of by the local government officials in making assessments.

Mr. Rose: How about collection?

Mr. Baron: Collection may have been, in some cases, handled by the Oyabun to pay into the local tax bureau. However, it was on a very small scale because there are a large number of local tax bureaus. Just to what extent the Oyabun still makes his influence felt in the collection of taxes in this matter we don't know just now.

Mr. Meyers: This is only income tax -- not a franchise tax of any kind?

Mr. Baron: Business tax -- income tax.

Mr. Ortman: We have information to the effect that the street stall association in the Ginza collected taxes, city taxes, which is levied on street stalls. The association collected this tax and paid on the lump sum, I believe, based on the fact that half the street stalls are operated every day. In other words if more than half the street stalls are operated every day the credit goes to the association.

Mr. Fritz: Unless it has changed within the last two months that is the general idea. The Oyabuns have been collecting the taxes and I think it is also shown in this summary too, and they have been collecting taxes for the government.

Mr. Baron: That is local. What I am thinking is in the national government taxes, primarily income taxes. There is no attempt to change the local system of taxes as yet.

Mr. Meyers: That clears that up. I was considerably puzzled.

Mr. Baron: I was speaking of the national government income taxes. You just can't switch that system around over night.

Mr. Meyers: Would you explain how under the old system the Oyabun was made use of to collect taxes?

Mr. Baron: Well, for example, you have a string of stalls. Some Oyabun -- I'm not familiar with this term, but I assume it was the head man or boss of those stalls -- and the local tax bureau figured that for that group or activity we think that such and such an income tax should be collected. The local boss will come in, figure out the total amount of the biggest business and he is to pay the largest tax there and on down the line, presumably the tail end brought up by the fellow doing the least business. That is the fundamental means by which the local tax collection bureau made use of this Oyabun. That is the collection of an income tax. I'm not speaking of a franchise or anything else.

Mr. Collett: There is approximately, a labor force in Japan of 14,000,000, and 3,000,000 of the 14,000,000 are controlled very strongly, or are a part of the Oyabun-Kobun system in a very strict sense. That is they have a person who is known as Oyabun and the younger brother also, all the way down the line to the Kobun. This is in two major categories.

First, in the construction industry which takes up maybe two-thirds of that group that is controlled or more. The other was commonly known as general labor suppliers who make a contract to a manufacturer or industrialist or some other kind of industrial plant, make a contract just



for labor and they furnish certain labor services to that manufacturer or industrialist. Usually those are menial tasks which the regular labor force of the plant do not perform. For instance in a steel plant, it may be the clean-up job around the plant. That is the usual jobs that this particular type involved.

Now, of the second there is a rather extreme -- most extreme -- form of control of labor by the Oyabun-Kobun system and that is what is known as the slave labor system. About a year ago, at this time, it was discovered that some 20,000 laborers were in actual enslavement in Hokkaido by this Oyabun system. They were working both for the contractors in Hokkaido and the coal mine. The way the system worked was briefly like this. They had their agents in Osaka primarily and Tokyo, the two main centers of operation. They would find some fellow out of work, or demobilized soldier, or somebody who was in need of a job. They would get him drunk or take him to some place and show him a very good time and make sure he passed out before the evening was over. He was loaded on to a train and he would usually wake up on the way or in Hokkaido. He was put in a prison barracks and inside the prison barracks was a regular stratified Oyabun-Kobun system. They had a very low floor where the original Kobun were brought in, and the next level for the ones who had been good boys and been promoted, and the top level where the foremen were, the top of the dormitory. The doors are locked at night, the windows are barred. These workers are taken out to work each morning, usually very early -- five or six o'clock -- they bring them back at seven or eight o'clock at night and lock them up. If they try to escape, they are shot or beaten very severely. All of this was excellently documented by CIO and Military Government in Hokkaido. There was a very vigorous drive on at that time to break up at least the slave labor aspect of this problem in Hokkaido. We believe it was taken care of, but there are indications that possibly it has come into existence again. It is going to require another investigation.

Mr. Rose: What kind of work do these people do?

Mr. Collett: Road work and work in the coal mines, and I'm not clear yet what type of work these particular workers do in these mines. We do know that the Coal Board reported some 26,000 of this type of workers.

Lt. Passin: What is the legal basis of the contract?

Mr. Collett: It is an advance contract. They give them this good time before they go up to Hokkaido. They hold that over them.

Lt. Passin: Do they have a written contract?

Mr. Collett: They don't bother with a written contract.

Lt. Passin: Have any court cases ever come up?

Mr. Collett: Only because CIO and Military Government sat right on top of the government in Hokkaido were we able to get any action at all.

Just to carry that one injustice a step farther, there is a very good indication that the gummi in Hokkaido, which controlled by that same method during the war the Korean and Chinese slave labor in the coal mines, are the ones involved in this activity in Hokkaido.

Mr. Meyers: May I ask -- that in order to prevent these cases from coming to court based on illegal contracts or no actual consideration, that there was not only the use of force against the individual laborer, but the police and government forces as well as the courts were tied into and bought off by it.

Mr. Collett: That can only be assumed from the fact that they took no action knowing the conditions existed.

This same group that controlled the slave labor during the time they had Chinese and Koreans in the coal mines in Hokkaido are also very influential in the political set-up in Hokkaido. One of them I know of was scheduled at one time to be general secretary to the



democratic party. He was purged the day he was to take over the job.

To go back to the general pattern. The construction industry is where they are most prevalent. There are very few cases in our evidence of the general picture of there being such a pure form of the Oyabun system. There are many which are made up of these second and third and fourth sons which came from the rural areas, and therefore they are not nearly as close knit as the ones Lt. Passin is speaking of. Then a further development has been that since the end of the war, in the construction industry in particular, there has been wide-spread expansion in the various gummis as to the numbers of the people they had and therefore they have taken in a lot of unemployed, a lot of people who are not regular Kobun in the true sense and therefore are not part of this very close loyal relationship. As of a year ago I had an estimate of that situation in one of the larger prefectures in Japan. The top Oyabun in construction work in that prefecture stated that one half of their Kobun were not -- you might say regular loyal workers -- so that influx since the end of the war is creating an influence of changing at least the loyalty angle.

Mr. Rose: From what you have said I take it that you have to belong to a gummi in order to work on construction?

Mr. Collett: That is right. They have a complete monopoly on construction even for the occupation. Let's develop this a little further. It has interesting implications.

When it was necessary for Japan to mobilize all their labor force, they established two working patriotic organizations, organizations of workers. It is very interesting that one of them was for industrial workers and the other one was for construction and day laborers. In other words the Oyabun-Kobun or boss controlled labor in two separate national organizations.

Now, the one for construction workers and day workers was merely based upon the national system of control they had of the construction industry. All it was necessary to do was to change the name to Workers Patriotic Organization. The structure was all there for complete control of that group of workers. Now, since the end of the war there have been four separate efforts to break up that organization which was pre-war, war-time and post-war organization. They have changed their name four times -- they are the same organization.

Mr. Meyers: Have they changed their form?

Mr. Collett: They have not changed their form. Their form of organization has not changed. The first time they merely changed their name, the second time a few top leaders, the third time they changed a few more leaders and the fourth time they had to clear leaders out way at the bottom because there was a purge involved, but they merely put other brothers in the organization. The form is still there and they still control them as strictly as they did before.

Lt. Passin spoke of the mutual benefits back and forth, that is the Oyabun taking care of the workers. They do take care of the workers in the construction field generally. They are able to very easily now because they are getting large contracts from the government on occupation force projects, construction in the private field is very lucrative now because there is such a demand for that sort of work, and the government has not been hesitant to pay them very large sums -- sometimes astronomical sums for the work they have been doing in the way of construction for the government. That makes it possible for these Oyabun to pay extremely good wages to the Kobun in the construction industry. In fact I think it is very true that they receiving the highest wages in Japan for any where near comparable work. Carpenters are known to get from 150 to 250 yen per day. I have heard of extreme cases of 700 yen per day. Now, along with that the construction people in the form of the Oyabun on the top levels are charging the government large quantities for welfare facilities, and the government so far has accepted their estimate that they have to buy food on the



black market, and they have taken black market prices and multiplied it by the number of workers to determine the amount of welfare they will have to get for extra rations. As a matter of fact, we have found in many cases that the actual materials these workers do get, particularly if these groups have come in new since the end of the war -- they are not receiving much in the way of welfare goods and services. That is they actually do buy a tremendous amount of black market food and materials from the charges they make to the government but it is not being given to the workers.

Lt. Passin: Have you people found any evidence of Oyabun-Kobun on a large scale in any particular industry? I would like to give an example. A friend of mine told me he has been doing a study in a city between Tokyo and Yokohama where the main industry is foundries, and he said the Oyabun-Kobun system is apparently prevalent throughout the entire region. Right down in the factories he said that every time he turned around, the question would be "Who is your Oyabun?" He said that evidently it is right inside the factory, and I wondered if you had any information.

Mr. Collett: No, there is evidence that in a lot of specific plants or in specific areas that the relationships do exist, and the consent, you might say is somewhat prevalent in the organization of unions. It does exist -- that idea of the Oyabun being even the union leader. It does exist in a lot of the unions. In particular in industrial plants we find that it is usually very strong. Say, you find a whole industry organizes and gets a labor union that may be strong, weak or medium. You may find one or two plants that don't join in and we have found those particular plants have extremely strong Oyabun-Kobun relationships -- strong enough that they can keep organization out of the plant although all similar plants in the industry have joined in.

Mr. Matsukata: Isn't it true too that if you don't belong to a certain Oyabun group that the black market rice and so on that a man has been able to obtain, which is also controlled by Oyabuns and Kobuns is not obtainable?

Mr. Collett: Right -- they use it very much as an economic weapon over people's heads. Particularly they are using it now as a method of coercion for the new people. They don't have to use it for the old timers. They show all kinds of favoritism to old timers. You have got a conflict between the new people that are not regular Kobun and the old people, but at the same time coercion is used against the new ones in the way of not giving them the same ration or any ration, if they don't fall in line and follow the example of the good old time Kobun. That coercion is strong and some of them even get the bad idea of wanting to join or to form a union among them, and we have several cases of the man being black-listed entirely from the industry or it can be as serious as the man being knifed or beat up very severely.

Mr. Stanek: Could you tie in the contractors association and this other labor outfit? Is there any intimate connection there?

Mr. Ortman: In that regard -- there are many, many tie-ups between this system and the contractors, for instance, but the two that come to mind is that one of the chief officers of the contractors association was a leader of this labor patriotic association to which Mr. Collett referred. He is at the moment an officer of the contractors association.

Mr. Collett: I have a more specific example than that. In one prefecture the man who was the head of the patriotic association there during the war, also who was the head of the third reorganization of the patriotic association was also chairman of the prefectural contractors association. He had both jobs. That man also is head of the horse-raising association in the prefecture. Before the House of Peers was abolished he was appointed a member of the House of Peers. In 1927 or '28 he won in a machine gun battle between the Tokyo Oyabun chiefs and the Kanagawa chiefs. His outfit won control of the large area half way between Kanagawa and Tokyo. There was a regular gang battle, and he won in the machine gun battle that resulted from that. I think he got two years in prison for it, but he is doing very well right now.



Mr. Rose: There are other tie-ups that we have found that aren't political. We have found inter-locking directors with the various supply organizations. For example, one lumber company. We don't know what kind of a labor structure they have, but we do know that the building is done through the black market or cost plus contract.

Mr. Collett: In that respect, I ran into -- very accidentally -- one of the worst organizations that we have run into, and that is in the harbor transportation business which became a national organization. They made a monopoly of all transportation duties during the war, and they have a very strong labor boss system in this particular organization. That is the Ko-on Kishu. I happen to find out that the biggest lumber mills in Yokohama is owned now by this same man.

One important issue as far as we are concerned is this. Although there are some 5,600,000 workers who belong to labor unions in Japan, to our knowledge there is only a few thousand that are in among the labor controlled 3,000,000.

Mr. Meyers: Capt. Rathofer isn't here. Mr. Richards said he couldn't attend.

Mr. Rose: He was very much interested in the stevedore end of the thing.

Mr. Meyers: Could you help out on that Mr. Rose?

Mr. Rose: I think Mr. Collett has outlined briefly what the score is there. We are also turning up some stuff that indicates the same kind of thing with regard to the express companies. It is pretty well organized on the same fashion.

Mr. Meyers: Mr. Carrington of the Legal Section?

Mr. Carrington: We have no facts to add to the evidence being submitted during this phase of the discussion.

Mr. Meyers: Col. Fregosi, could you add anything?

Colonel Fregosi: I don't believe so. Mr. Collett covers our standpoint very well. It reveals the problem that exists.

Mr. Meyers: Would you explain the special problem that Eighth Army has because it is charged with construction work?

Colonel Fregosi: Well, up to recently at the time of the procurement Kodan, procurement people had no concern as to how the work could be accomplished. The procurement man is the instrument of the Japanese Government, and presumably they take care of it or we appeal to the Japanese Government.

We were prevented by a directive from SCAP from requiring any performance or even the cost of the items procured. There is no written record -- the General Procurement Agency issued the memo. The idea there was to prevent us in our connection with procurement from admitting the procurement cost. That is still true as far as acknowledging any, or officially recognizing the cost or value of procurement, although we are now permitted to inquire into the cost and value of procurement. Any procurement system that is now to be established in the procurement Kodan, which will be set up step-by-step by myself, after approval of the Controls Coordinating Committee, particularly Mr. Ries, who is sort of grandfather and sees that everybody concurs; we intend to take steps to eliminate some of the obvious incorrect practices in the Japanese Government. On how far we can go we don't know -- that is toward cleaning out the system. But certainly where a conflict exists between executing procurement or cleaning out your system, the procurement must be executed. That is because the occupation force intends and desires to get what it wants. We have found from past experience, sometimes the hard way, that there is no sense of trying to combat some of the problems that come up on the grounds of ethics or any other reason if it is going to stop procurement. We have a series of steps in mind in connection with this construction and procurement relations.



Mr. Meyers: Could we defer that until the second part of the meeting?

Colonel Fregosi: I have a conference in G-4. I'm just going to mention that we have a set of steps that we intend to institute. Before they are formulated and issued to the Japanese they will be concurred in by ESS. I would like to mention what some of them are. I don't think they will solve the problem at all. They are only steps in the general direction. I will take them up when I return.

Mr. Meyers: Major Johnson, could you add anything to what Col. Fregosi said?

Major Johnson: Officially, no. Unofficially, I'm of the opinion that there has appeared without question a much greater interest in the volume of the cost of occupation as they are apprehended in the Japanese Government budget than there ever was before except with respect to the action taken probably on General MacArthur's own initiative, when he reduced the number of dependent houses from twenty thousand to something like eleven thousand, and deferred for one year the completion of the entire program (which you're probably all familiar with) and the belief that the volume of procurement may be a considerable slice in the additional budget which they are having to set up, a supplement to the budget. There may have been at one time and may still be certain demands of the occupation that would have to be met. I do believe that this thing is coming to bind tighter and tighter, and that policies if they are not adopted would better be adopted that will show where this thing is going to be sliced, and that possibly the occupation is going to have to accept a little smaller share immediately in order that it may have some share at all later on.

Mr. Meyers: Thank you very much. Mr. Fritz, do you wish to talk for Public Safety?

Mr. Fritz: Well, Mr. Eaton was supposed to have been here today. He could not come. Mr. Shupak has done most of the investigation on this, and I think most of it has been explained already. However, we do have an abundance of material like ESS has that is available, and you are welcome to it and we have written reports. Other than that we haven't gone into it too deeply. We are mainly interested from the police angle, and the police may be tied up in it. We'd like to know and if any of the other sections should find out that the police are tied up, we'd like to know. We want to set up a democratic police system.

Mr. Rose: You think that the police don't have a great deal to do with it in most areas?

Mr. Fritz: We don't know. They are probably quite rare. Mr. Shupak has worked on it much more than I have and he might be able to help.

Mr. Shupak: As Mr. Fritz says a lot of the angles have been brought up. A few points showing the relation with the police and this system would be of interest.

First of all about the Oyabun system. Most of them operate, as a rule in a certain area. In other words it has boundaries set off. Any encroachment usually results in a gang fight. A different type is a construction Oyabun or high industry Oyabun. That doesn't apply to them. It is entirely different. My investigations have shown pretty close cooperation with the police all over Japan wherever I have been.

Another thing I did uncover to show the extent of these systems were two Oyabun announcements. One I picked up from the police chief. He handed it to me, apparently not knowing what it meant. This calling card or Oyabun announcement is sent out by an Oyabun. In other words, when a father or brother dies and the next one comes in, he sends out this announcement to other Oyabuns. These two announcements that we have as exhibits -- each one covers from ten to twenty prefectures and in each one of these prefectures there is a long list of Oyabuns. All of these Oyabuns are required by custom to send presents to this new Oyabun that is coming into effect. In other words, the Oyabuns wherever they go in this particular sphere that they know, they will always be



welcomed and all their problems taken care of by these different Oyabuns.

Mr. Meyers: May I interrupt to ask -- would that apply to the Kobun if he should travel into another district?

Mr. Shupak: I wouldn't know if it would go that far. It probably would go that far if the Oyabun he did work for gave him some recommendation or he had enough identification to prove he was a part of the household.

Mr. Matsukata: I heard that depends solely on the relationship of the two Oyabuns.

Mr. Shupak: On these announcements I have there is practically a hundred Oyabuns listed. Another point I would like to bring out -- the police have never heretofore been able to cope with the Oyabun system. They have taken the lesser of two evils and cooperated.

Generally speaking, when an Oyabun has committed a crime, it will be hidden. In return anything outside of their sphere will be turned over to the police. There's been a working cooperation between the police and Oyabun. I have no definite proof, but I know from what I have observed that police do receive monetary gifts, and in other respects goods, from these Oyabuns, and I got some of this from some pretty high officials. I got it from the lower levels and all levels. I'm pretty sure that it is a fact and naturally in view of that fact the police can not cope with the situation even today. I tried in my travels to kick the police around a little bit, and get them to do something about the situation. I have succeeded a little, especially in Osaka. They have started a drive and after the drive started the crime rate dropped very considerably. We have figures to show that they went right down, showing that a major part of the crime lies on the doorstep of Oyabuns and Kobuns.

I feel that today even in spite of the rest of these big men in the Oyabun system and in a lot of Oyabuns and in a lot of your Kobuns, it has not been scratching the surface. It should be attacked from a higher level.

Mr. Meyers: You say that the police have never been able to cope with the Oyabun-Kobun system. Did your investigation show why this was?

Mr. Shupak: First of all the police themselves would say they weren't strong enough for one thing, and then they have had influence far above and beyond the police. They had influence with the governors and other different agencies, besides the police, from whom the police took orders. Then, the police themselves are involved, so it is a matter of the lesser of two evils -- a situation they couldn't do very much about. Today I still don't feel they can cope with the situation.

Mr. Rose: Is that in part due to the fact that they have career status. They have no immediate responsibility in particular as the heads up here at the top level and everything is non-elective all the way down the line?

Mr. Shupak: Well, it is pretty hard to answer that. The only way I could possibly see is the police system officials would have to be changed or switched around.

Mr. Collett: Another question on this. I saw the announcement in the paper recently -- I imagine it tied in partly with this study -- of the arrest of several of these Oyabun including some seven hundred in Tokyo; and then I heard a not very well-informed person as far as I was concerned indicate that a lot of these people were held a few days or over night and then they were freed again, going back to their old racket. They had celebrations in their spheres when they came back and reported back to duty.

Mr. Shupak: I have no information. I can very well believe it. We have no records right now as to how many that were arrested were prosecuted. The case of Ozu was actually upon my own individual prompting of a police chief in a Shinjuku district. He told me personally that his men were afraid to raid, and on this particular raid, he had to go along and even the procurator told me he had a fear of taking proceedings against Ozu.



Mr. Meyers: Do you have anything else to add there? I know that Captain Rathofer has come and I'd like to know if you could in turn add anything to this **background** information which each of the various sections and divisions concerned have presented.

Captain Rathofer: No, I'm afraid I don't as a matter of fact. It is the first time I have heard of the father and son set-up. I don't think many in our division know about it. I don't believe we have run up against it.

Mr. Meyers: That brings us around to Government Section. We have presented these brief interim reports as prepared by Mr. Matsukata, and I would like to ask if he has anything else to add?

Mr. Matsukata: No, I don't think there is very much except I think that what Public Safety brought out in regard to the police -- that the police can't cope with it shows that these are not independent organizations. There is a much bigger network that works behind it and behind the political scene. The Japanese politician, since the Meiji Era, and before that controlled politics, and they control this. To see it broken up you can't go at it just from the criminal standpoint. It would just be at a low level and it must go all the way to the top.

Mr. Meyers: This concludes the first part of the program. I'm going to skip Item 3 because I believe your opinions have been indicated pretty clearly. That brings us to Item 4 -- the proposed steps to be taken by the various sections. I think it would be advisable to proceed in the same order that we proceeded before. I would like, however, to make a statement with respect both to the Government Section and with respect to CI&E before we start off with Mr. Ortman.

First of all -- so far as CI&E is concerned -- Mr. Sullivan left me a note stating that CI&E offers the use of all of its media and publicity in helping to publicize any aspect of the Oyabun-Kobun program which this group as a whole, I assume -- may decide upon; and since a very great part of this program seems to me educational and informational, that means we will have very, very powerful help.

Secondly, as far as the Government Section is concerned. I will bring up at the end what plans we have -- tentative plans that we have decided upon. Before that I would like to reiterate that this Section will use its influence for whatever it is worth, in backing the plans of other sections and the ~~coordinated~~ plans which I hope will evolve from the meetings of this sub-committee.

(A short intermission was taken)

Mr. Meyers: We have a lot of work to finish so I suggest we come back to order and finish up the second part of our program which ought to be the more explosive part.

Mr. Collett: Mr. Chairman, before we go on -- these general statements are important not from any particular specific information, but the general feeling and attitudes, or you might say the general feeling of the problem that I received working with this over a period of two years; that being that the whole system in construction is very closely knit from the top to the bottom, that their influence goes over a tremendously wide phase of activity, that in particular in construction, some of your worst cases of wide-spread black market activities are involved, that their influence in politics is extremely heavy as indicated by the eighty members in the Diet, and also any time anything is done which really hits a sore spot in this whole framework of organization, its reactions are immediate and from some very **peculiar** sources; from high government sources, from political sources, and from many different sources other than in the construction business and that there is every indication that it is highly organized from the top to the bottom, but also there is some very influential connections outside of the construction field.

Mr. Sullivan: Mr. Chairman, in regard to that I forgot to report that information that CI&E has that there are 528 shimbuns that are black market newspapers existing in Japan.



Mr. Meyers: Are those Oyabun sheets? Are they owned by one of these groups?

Mr. Sullivan: So we understand -- they are controlled.

Mr. Meyers: Have you had an opportunity to examine the registration and note whether the Oyabun himself would be listed as the owner?

Mr. Sullivan: No, this just came in yesterday.

Mr. Matsukata: The big newspapers like Asahi also is controlled by these Oyabuns too, politically.

Mr. Sullivan: That I don't know.

Mr. Meyers: Let me turn now to our basic part of the program: The proposed steps which the various sections or divisions of sections here feel (1) are necessary and (2) that they have already worked out to some degree and are in the process of either completing or taking. We'll start with ESS-Anti-Trust and Cartels, Mr. Rose.

Mr. Rose: Well, let me say briefly, at the national level we now have an anti-trust law and a federal trade commission, and we feel that it may be possible to keep unfair trade practices at a fair minimum after there has been a liquidation of the major associations. That is presuming additional steps are taken. Therefore we are very much concerned with the prefectural and local associations, and we are developing a policy in our Division. We are not in a position to outline it today. We hope to delineate it in some detail and develop an informational program with CI&E and Government Section; and further to get it in sufficient detail so that the CI&E and maybe Government Section can take it down to the local government, to the Military Government, for implementation. We feel it cannot be done from this level directly. Now, that is the negative side of what we have to do.

We also, as I said, are participating in the enactment of a number of cooperative laws. We feel that it is tremendously important that an educational program be developed in ESS or within SCAP through every media that we can get our hands on to inform the individuals that can participate or are forced to participate in a cooperative movement as to their rights and privileges and as to the areas of appeal that they have, otherwise we feel that the whole thing will be a sort of a useless activity. Now, none of these cooperative laws have been enacted. The Agricultural Cooperative Law is before the Diet and is expected out within a month. NRS would know more about that than I. We haven't got the commercial and industrial or the consumers cooperative laws quite in shape. They should be out before the end of the year, however, ready for enactment. I think, however, that before they are enacted we could do a tremendous amount of work in developing an educational program. Those are the two sides. That is about as much as I can get in detail.

Mr. Ortman: I have nothing to add.

Mr. Meyers: Does anybody have any comments on this program, or any suggestions or ways in which they can tie in their own particular program to this?

Mr. Rose: That actually is so general, I don't think it is quite possible to make any specific suggestions, but the reason I was so anxious yesterday to get the program going is that we are faced with it in the immediate future, and I wanted to have a body to call on.

Miss Jackson: I have a question to ask. That is, what technique within the cooperative system assures that the Oyabun system is not in operation?

Mr. Rose: Well, you do have representation at the meetings if the charter is carried forth, for example. You have the election of officers.

Miss Jackson: I think that as fine as that is, it is a negative approach, and unless something positive is done to break the chain of so-called relationship, I can't see how you really get a breaking away from it by external form.



Mr. Rose: I don't see that you really have to have a breaking. I don't see that we possibly can have a breaking because it would create just a little too much trouble in the economy. Any trouble seems to be a mountain around here.

For example, in the Agriculture Association, we have had to concede that the existing Agriculture Association will have eight months to liquidate and probably thirty days would have been perfectly adequate. Resigning ourselves to some practical consideration, I think it is best as an educational program.

Mr. Collett: I think I can support that position generally in that we have found that although it certainly does not work a hundred percent, that organizations of labor unions in plants is an excellent antidote to this Oyabun-Kobun organization. It takes -- after you get that form, which is a different form than that they have been used to, and sometimes they use their Oyabun-Kobun relationships within a union, then after you have the organization it is much easier to create your democratic processes within that form -- and it does take hold gradually in this process which will take time and education. But you are, in the first place, creating a different form and a certain amount of break away goes along with the creation of the new form.

Miss Jackson: Well, within that new form is there any concerted attempt by any groups to more or less discredit the Oyabun from the point of view of the relationship?

Mr. Meyers: I will answer that by saying two things. First, that to CI&E belongs a great part of the credit actually for prodding the staff sections here to action -- CI&E and Mr. Sullivan himself is the person who forced the matter to our attention in a way that was more than just a tugging at our consciousness. CI&E is establishing or will establish a publicity and informational program which must of necessity be based upon the policy decisions and staff actions to be taken by the staff sections. In other words, the reason for the existence of this sub-committee is to decide on the actions that CI&E can furnish all of its facilities to publicize, which is a large part of the program, which is inherent in Mr. Rose and Mr. Collett's remarks.

That is one part of it. The second part is this. It involves a difficulty which we will have to resolve -- what we mean by the Oyabun system and what part we intend to attack. That happens to be just a preliminary statement. I didn't want to make this statement until we had all discussed our method of approach. I really would like to save this particular statement until the end. I think those two positions are basic.

Mr. Rose: To define the area that we will probably be working in will be the farm area and the trade and home industry areas. Now, the construction industry is only subject to Federal Trade Commission Action. I don't see what more we can do on that unless we get the Military Government to prosecute them at the local level as well as at the national level. It is quite possible, however, that that could be incorporated in any educational program we have. They are definitely outside the law.

Mr. Meyers: Let me pick up again from here, and will Mr. Ries or Mr. Stanek want to talk for Industry Division?

Mr. Ries: As far as I know, we in industry are more in a passive position than the other sections represented here. We are suffering under the Oyabun-Kobun system. We ourselves cannot develop any plans, and what we can do is give you all the assistance of our Division, trying to give you the necessary data and the necessary facts on which you or the other Divisions or Sections involved can plan the action which must be taken.

Mr. Meyers: How about ideas?

Mr. Ries: We are strongly working together with Anti-Trust and Cartels, and consider their way of approaching this specific subject something which we would certainly go along with. The other ideas will be specific to our industries. We are, as Mr. Stanek already outlined, very



much for breaking up the contractors association and trying to limit the power of the construction Oyabuns. That is one of the aspects which are thwarting us very much. We further have to leave the labor aspect to the Labor Division which is charged with this mission. That is more or less all that we are interested in at present. We are, of course, trying to develop certain ideas of our own as soon as we see the general framework set up by this sub-committee.

Mr. Rose: It would be helpful in those industries under your jurisdiction, if you could get some investigations going. As I understand it, the only discovery of the relationships we are talking about was found in the foundry industry, and case studies indicating whether that sort of structure is in industries or in large factories would be very helpful.

Mr. Ries: This we probably could do. The labor aspect of this question is handled by Labor and we are more or less concerned with the impact on production, but we are of course willing to go along with labor.

Mr. Meyers: May I insert a word here. I realize that jurisdiction is always a holy word but it seems to me that this problem, from everything everybody here has said, is a matter that extends beyond anyone's jurisdiction. I think it would be much more advisable -- and it is only a personal criticism -- if we conceived of ourselves in the sense of a general staff to attack this problem, and if any person has any ideas, or any person or sections has ideas that can aid another section, I think this is the place to bring them up or to suggest them -- either in detail or generally. I don't mean at this moment but in our future meetings. Has anybody objections to that. I would be delighted to hear any program.

Major Johnson: I would suggest that within the budget, reduce the amount of the money spent for construction, and control the construction on a better regulated basis, because one of the sources of great revenue to the gumi has been the overtime which the needs of the occupation have forced on the Japanese construction industry. Therefore that is a little blue sky up there which ought to help. Furthermore, I'd consider the advisability of inviting someone from the office of the chief engineer who is responsible for this construction to be represented in this committee. They have much more information along those lines because they approve all construction.

Mr. Meyers: I'd like to add a word here myself because Mr. Baron of ESS--Finance had to leave, but he presented two very important points -- some more of that blue sky which you mentioned.

One: Finance is working on a general administrative overhauling of the whole national tax system. They expect eventually to get into the local tax system to some degree, but at the moment they are engaged in overhauling the national tax system, one of the specific aims being to eliminate the Oyabun. Now, this is important -- that directive which has been lost in ~~The M.L.~~ for the last nine months will be issued today by the Chief of Staff making it illegal for the Japanese Government to pay other than official prices for anything. That includes all branches of the Japanese government. It saves Government Section a lot of work because one of the items I was supposed to take care of was to get that directive. That is a tremendous help to all of us, I think.

Now, Mr. Collett, would you like to continue with some of your plans?

Mr. Collett: This is sort of a general conclusion we have come to on action.

Since the Labor Oyabun-Kobun system is so complex and has such a tradition of long standing that no single action can ever be expected to be effective in eliminating the system. It is believed, as far as we are concerned that final success with respect to the labor Oyabun-Kobun will be obtained when a majority of those workers now controlled by the Oyabun system are organized into legitimate trade unions. Therefore all of our actions are directed towards that, more or less as an ultimate goal.



Now, the best that we can hope as far as we are concerned, is that the system can be so upset by attacks from all angles so that legitimate unionization therefore becomes possible. We have a list here of various actions that we think might upset the present control and system enough if carried through vigorously so that results can be obtained.

First is a large scale publicity program which I think everybody has talked about. One part that I mentioned to Lt. Passin while he was here is the possibilities of the word in Japanese -- Oyabun-Kobun. The idea that by publicity -- continual publicity -- emanating primarily from sources in this Headquarters the word become a word of degradation in the entire Japanese country. Now, that would have to be based on the idea that most of the people have a rather concrete concept of what it means in the way of social organizations. I have just made a very slight check and it is Lt. Passin's impression that to the ordinary Japanese, it usually means the gambling organizations, the construction gumis etc. It could very well be a concept that could be degraded as much as possible. Just smear it all over the country.

Now, in respect to the rural areas, Lt. Passin states that he got the general impression that the rural people didn't like the word and they also had an old time idea -- the old concept of it and it is something that may not be so good, and all it may need is a little push by general publicity on this thing. It is very broad and must be gotten rid of or Japan will never be democratized. That is just a suggestion on one specific thing in publicity.

I should have started off in the beginning. This program is somewhat preliminary right now by the Labor Division. They haven't been fully considered there. I think these will be adopted. Other parts of the publicity program will include enunciation of the labor Oyabun system as archaic and undemocratic, encouragement to other unions to organize this particular group of workers, and publicity which will be aimed to stimulate the Japanese ~~into the~~ enforcement of their laws which would make labor Oyabuns illegal.

That leads me into the next major step. There are several laws and ordinances -- major ones in some respects -- which are just now coming to fruition, which the Labor Division has been acting on which will affect the the labor Oyabun-Kobun system. The one that went into effect sometime ago was the so-called labor purge, which in effect was ~~to remove~~ from all influence in organizations concerned with labor, all the leaders of the war-time labor front. It went down to very low levels. We have a report on the people that are included in that purge and it is very nearly twenty thousand. Now, that will take out a lot of leadership all the way down the line. One thing we are going to have to do in regard to action now is to be sure it has been properly effectuated.

Next, employment laws now in the House of Representatives which includes a section outlining labor supply and business. Where there is a legitimate trade union it must be passed on by a government agency. On September 1 the Labor Standards Law went into effect. It provides a penalty of one to ten years imprisonment for forced labor and one year penalty for intermediate employment. The best example of that is a parent contracting away the working rights of the children. That is primarily in regard to prostitution. There are other penalties which will control Oyabun labor.

Another action in regard to that is that the Labor Standards Bureau which is just established is planning to put their entire staff on this Oyabun labor problem after the 1st of September. They will be somewhat limited in their activities because it is a new bureau and they are inspectors. They are going to have a system of inspectors that will blanket the entire country. The inspectors are new and untrained and at least at the beginning they won't be completely under the control of some of these bigger Oyabuns.

The Trade Union Law which has been in effect since March 1946 can be used as a basis for assisting in legitimate union organizations among this group of organized workers. We intend to ask the assistance



of Public Safety Division, G-2 and Government Section for strict enforcement of criminal offenses in this field. There are many of them. There is a considerable amount of strong-arm violence, and often on certain cases of intimidation and coercion, which I think we would like to ask Government Section and G-2 to give us some assistance on.

The next major break-down is economic sanctions that is a result of the very lost administration of contracts -- government contracts, construction contracts which make up the majority of these particular groups of labor are able to pay extremely high wages and are able to give all kinds of black market goods as economic coercion in many cases and inducement in other cases.

We had down as action here until today the first step in the publicization of the Finance Division Directive and that is why we are very happy to hear about that being approved. In this connection we want to work very carefully and closely with Price Control and Rationing in any large scale black market program they may develop because we know that this particular group are tied very closely with that.

We are going to encourage the assistance of some of the labor unions in giving us, for instance, information in the programs as to how they would be able to, or what would prevent them from assisting in organizing this group of workers into legitimate trade unions. They have indicated already some of the obstacles -- the matter of coercion, of violence and if we can have them report any cases -- they have indicated that they are very willing to go along with this program and are very anxious to, but one thing they need right now is a very definite statement from SCAP. We are out to get this bunch. They are bad and should be eliminated. With that announcement from SCAP it puts them in a very strong position to go to work in this particular field.

We have just had in the last few weeks a conference with the labor and military government officers. They showed rather keen interest in this problem and program, and we feel that they can be very useful in encouraging law enforcement agencies in the local level to act in cases of known violence; and for them to encourage at the local level actions by the local unions in the actions of unionizing this group of workers. Also they should be able to do considerable on the local level in the way of publicity. That about covers the general program to date.

Mr. Meyers: Thank you very much. That is the most detailed statement we may have.

Mr. Matsukata: How can you degrade a statement like Oyabun, when Oyabun can also be referred to as Sensei just because a man is not of the low level. Sure, among the construction workers you will use Oyabun, but anybody that is a boss of a certain few laborers and he has a higher respect for the Oyabun will call them Sensei.

Mr. Collett: The term as I understand it has all the connotation of the whole system of feudalism in Japan. The same way that we degrade the feudalistic set-up in Japan, why isn't it a good idea to degrade the Oyabun?

Mr. Matsukata: Maybe that is true. I don't think because you use the term Oyabun that that brings any sharp idea of degradation.

Mr. Collett: That is the point. At present, it isn't because it is a tradition that in the labor Oyabun-Kobun you do not have a democratic organization among these workers. It has all the aspects of serf or slave labor. But the point is that the workers -- the government officials all the way up and down the line will argue with you for hours as to this being a very good system. That is why I say that one of the reasons why it should be a very strong publicity program from this level is the degrading of the whole system, is to create in their minds the concept that it is a bad system.

Mr. Meyers: I don't think the question Mr. Matsukata raises is the concept, but that there exists a necessity for tying up the phrase with particular practices which are regarded by SCAP to be evil practices. In addition to the fact that as a social concept we may regard it as a bad social concept because it is such a feudal concept. That is a point I



would like to take up after we have finished. Do you have anything else that you would like to add?

Mr. Collett: No.

Mr. Carrington: I have only one suggestion to make. The reason I make it is because it doesn't seem to have been taken into consideration around here today. I was wondering whether any thought is being given to having the Japanese Government cooperate in this plan at all, or is it merely a frontal attack by this Headquarters upon this system. The reason I make that point in the discussion -- I have heard rumors that people in high places in the Japanese Government or in the police force are accepting tribute, or even if they are not accepting tribute, are not very desirous of seeing the system go; and the only reason you won't approach the Japanese Government to get their cooperation is because you admit before you attempted to do it that such an approach would be futile. It seems to me that you are admitting that our frontal attack is rather hopeless. I think the most we could do is to scratch the surface by various economic measures. Unless the Japanese Government impresses on the Japanese people, even to the extent of putting legislation on the books outlawing such relations as this, the attack can not succeed. I don't say it will do it over night, but after all you don't outlaw prostitution by putting a piece of legislation on the books, but it at least brings it out in the public eye as an illegal act.

There may be many people just on the edge of their Oyabuns either through a little pressure of the neighbor or because it serves some useful purpose, and it seems to me that if the Japanese Government put some legislation on the books outlawing this relationship, a lot of people would cease the relationship. I'm wondering why this discussion hasn't been in reference to that. The entire discussion seems to be what the SCAP sections are going to be doing. Since the beginning of the year I have seen attempts on the part of SCAP to make the ESB cooperate with the former cabinet and the present cabinet which doesn't seem to be too cooperative, and I'm convinced that no overall plan is going to work in this country unless you impress on the people in high places that such a proposal is aimed at a very vicious system. If the people high up in the government and the people in the system don't believe it is vicious, the task is hopeless.

Mr. Meyers: May I say that it is the Government Section's plan and it is our intention to draft either by ourselves or in conjunction with the Japanese Government legislation which will carry extremely heavy penalty.

Mr. Carrington: It hadn't been brought out here and I note from the general discussion I hear that it was an attempt by the SCAP sections and believe me I am not belittling, but it cannot be accomplished by SCAP alone. I believe there must be some people in the Japanese Government who believe this system is vicious.

Mr. Meyers: Yes, there are and also many others who are tied up in the system. Therefore this attack by SCAP is going to have to take the initial step in order to provide the penalties and the force to insure that the Japanese Governmental agencies will carry out in detail the plans evolved by the SCAP staff sections. Again I am going to come back to this point when it comes my turn to speak, and if there are no objections I'd like to hold down the discussion.

Mr. Carrington: I think by SCAP putting out regulations until the Japanese Government comes around to the thought that the system is vicious, any regulations we put out will be futile because it is putting the cart before the horse unless you have a government that sees it as a vicious system and is willing to see that the SCAP regulations are enforced. It seems to me that you are just putting the wrong foot forward. I think the Japanese Government has to be convinced, and then the SCAP regulations would logically follow, but I don't think any SCAP regulations except to the extent SCAP carried them out themselves -- I don't think they will be until the law enforcement authorities of the Japanese Government wants them carried out.

Mr. Rose: Some of the law is on the books.



Mr. Shupak: I'd like to make one short statement. The general impression seems to be that the Japanese Government or officials condone this system. I have found out that 95% of the people I have contacted have expressed a desire to see this system eliminated and that goes for high or low officials. I have never met one person in the high or low level -- I have talked to people on the street and shopkeepers and every single one of them have expressed consent to see this system eliminated.

Mr. Meyers: We have had indications that the police would much prefer to be independent and free from the way of political influence and economic influence as brought upon them by the Oyabun, and if we can aid the Japanese Government or force the Japanese Government into the position where we can see that the major evasions are closed to them, and see that the loopholes are closed by providing severe penalties for attempts to avoid the laws, then we are helping to bring about in some degree an accomplishment of our ends. I feel that a very large portion of the Japanese public would be delighted to see the end of the Oyabun-Kobun system. Certainly these little shopkeepers and the other people who are preyed upon by these gangsters -- certainly the people who are forced to contribute to forced celebrations that they have take place, certainly the average tax payer who gets an enormous amount of yen collected during the year -- these people would certainly be far happier to see these organizations broken up. I think we have to provide the guidance and the force to aid the elements in the Japanese Government and the Japanese people who want to get rid of this system, in getting rid of this type of organization.

Mr. Sullivan: It may be of interest to the group to know that we called a meeting of various Japanese Ministries and organizations last week -- the Home Ministry, the Ministry of Welfare, the Ministry of Justice -- Tokyo Metropolitan Police, the Tokyo Metropolitan Government, and the Labor Ministry and the Coal Board -- practically everybody that was interested in the thing. The general tempo of the meeting was one of condonement as far as they were concerned. The Labor Ministry seemed to be the most desirous of having the system eliminated -- that and the police system. After some statements that Mr. Collett made today, for instance -- well, the Coal Board deny the existence of an Oyabun-Kobun system and if any system did exist it was outside the mines and not inside the mines. They were interested, but the meeting finally ended up and an opinion was called and they said they were interested, for instance, from the standpoint of gangsterism, and that was about all that would indicate that the Japanese Government or the Japanese ministries knew of it. They will have to have some pressure brought upon them to do anything.

Mr. Collett: I didn't mean to give the impression that everybody was in favor of it that we had talked to. Most of the labor union people we talked to realize that it is very, very vicious and bad. They are frightened to death of what might happen to them bodily, and there is nothing they would like better than to see the thing broken up. That is the general feeling we have received.

Now, there are very vigorous condonements in support of the system, you might say, by primarily -- we have found -- old line bureaucrats in the Japanese Government who have been working in that same field for many years and over a period of time we have received the impression that it is a little more than just the idea of their general feeling that it isn't a bad system. Our general impression is that they're getting some other inducements to make those statements and take that position. There are others who are more or less recently in the government, who have come in with the advent of a new government or who have been a long time in the labor field themselves who are quite vigorously against the system. You have two really definite systems.

Mr. Meyers: I'm going to cut the discussion on this point short, because we have other people from whom we want to hear and if there is any time for free discussion at the end of their statements, we will come back to this particular point because it raises a whole series of questions which are basic. I made my statement to you to indicate that we had not overlooked the very important point which you raised. Col. Fregosi, do you have anything that you would like to add on this point as to any program of your's?



Colonel Fregosi: I have a personal program. I represent no section, but it will be submitted to ESS and the Controls Coordinating Committee, so that nothing will be done without concurrence. I imagine some of these things might conflict with other plans. I would like to attack this problem, and will if I have your permission, from the standpoint of not any Oyabun or any group, but of the effect the group or such a group would have on my particular phase of work, procurement. It has a bad effect in some respects and others it is good, but if the good parts are overcome by the bad ones. You have groups of people dominated by other groups who are not particularly qualified to do a certain thing. Because of the domination they were able to come in and work on a contract which is procurement. Any dominated group or controlled group is not helping us any and we would like to eliminate it.

I propose to set up a system of pre-qualification of contractors and manufacturers. Whether or not we do anything with it depends on what the staff sections say. We have, at the present time, pre-qualified practically all the contractors who are qualified of taking work. In the present qualification sheet, he is required to show what equipment, he has, what technical specifications he has, the quantity of their past work, what performance he has rendered in the last ten years, etc. We hope to weed out the people who have just associated themselves with the groups, and whether they are good or bad groups.

I have heard mentioned gumi. Some of the big gumis may be of this strict type you speak of. If so this won't eliminate them. I don't think you can eliminate them. They may have some undesirable features, but they are contractors. They are dominated individuals but they are the contractors of Japan and they must be used. This will eliminate all manufacturers who are not manufacturers of industrial equipment. It will not eliminate the system if it exists among recognized contracting firms.

In the contracts I intended to draw up and have your approval of -- that could be used for Japanese procurement as well as occupation force procurement -- we will include those clauses as we have them in the United States. Some of them may not be applicable, but I am going to write up a whole series of clauses to comment on them and add to them. I have in mind such things as convict labor clauses, collective bargaining, no kick-back, no discrimination -- also for providing for a penalty where there is a violation of standard clauses of the contract. Another one that I think Labor Division would go along with is trying to get the unskilled labor which is the bulk of your labor used by your construction contractor obtained through the labor exchanges. Through the labor exchanges we eliminate a lot of this kick-back which might be the dues or fees of labor groups. All of that would be supplemental or explained to the contractors themselves through this publicity group. Carry the objectives of this type of program to the contractor because unless they understand that in the long run this increases their profits or prevents diminishing profits, you can't break it up.

We have already made a start with the General Contractors Association, and although they may be anti-something or other and have to be broken up, surprisingly enough they were very much interested in this when we first mentioned it because we appealed to them not on the basis as a bad social system in your country -- we proved to them that this hurts their profits. As a matter of fact in a reasonable length of time it will probably cause some of their twelve large contractors to go bankrupt. In other words your sub-contracting group which is not really a sub-contractor but a labor boss is becoming so powerful that he is beginning to outshine the general contractor. It is hard to get in touch with all of the contractors. We can reach twelve to twenty of them in Yokahama and Tokyo but after several meetings they saw the point and started to carry out a program, pointing out to their own members that possibly labor bosses will not result in profits. Some of them have written in also that they see the difference between having a dominated working group for them and a free labor market. I don't know of anything else we can do in procurement because it is not basically our job.

Mr. Collett: What about the inspection system?



Colonel Fregosi: That is another point. The Board of Reconstruction has some 1400 field supervisors who were organized by Mr. Collett pretty much personally. They are supposed to perform the functions of a government auditor on the construction side. They haven't been mainly because they don't know what they are doing, and if they do they are not above taking a little graft themselves. But they can be used as a force to assure no kick-back, for the enforcement of all of the contract provisions, and that type of situation.

Mr. Meyers: Now, thank you very much. Mr. Shupak and Mr. Fritz have informed me that they are not able to make any statement as to the plans proposed by Public Safety Division. Would it be possible for you, either by the time of, or before the time of our next meeting to have formulated any plans and receive official approval in your head office on your part of the program?

Mr. Fritz: I will take that up with Major Smith.

Mr. Meyers: Fine. I am just going to briefly **sketch** in not more than five minutes what Government Section proposes to do.

(1) We believe that Mr. Carrington is right and that we have to proceed on the basis of law revision or law promulgation. We intend to suggest to the Japanese Government that a law be passed forbidding any private or quasi-governmental or semi-governmental agency of any kind on the local or national level to collect any taxes or any fees whatsoever. It should strike at the official basis and the official **excuse** for the existence of a great many of the Oyabun gumi associations of the time that are not contracted organizations.

Colonel Fregosi: You mean fees by the government except where designated by law?

Mr. Meyers: Well, the laws are going to be proposed to be changed.

Colonel Fregosi: Don't you have deductions from pay here which the contractor or employer is required to make that in effect would outlaw that?

Mr. Collett: Workmen's compensation.

Mr. Meyers: That will be drawn up to avoid any interference with such things as dues, check-off or insurance deductions. It will be worked out.

(2) I'd like to say at this point we are going to try to force registration by law of all of the Oyabun with the provision for extreme penalties, both fine and imprisonment for failure to register. I remark again that it is extremely difficult to term such legislature, but it is the intent **not so much to register** as to provide a weapon or club to use for prosecution.

(3) This will have to be worked out in conjunction with ESS-- Finance in particular. I am going to try to see to it that legislation is promulgated to change the banking methods -- to require the banks, particularly the savings institutions, to fingerprint all of their depositors and to require both a hand and a character signature of the name to see if we can't trace some of these accounts in the banks.

(4) We are going to proceed on a reorganization and are proceeding on a reorganization of the national government ministries including those in which we feel the Oyabun system or relationship is strongest.

(5) We intend to impress upon the Ministry of Justice and the procurators the necessity for strict enforcement of the law, and for immediate and rapid prosecution of the violators of the law with emphasis upon the gangsters, the **gamblers** and other Oyabun engaging in definite illegal activities. I might mention in connection with the gambling organizations that some of our indications show pretty clearly that all of these Oyabuns have associations with gambling associations in one way or another.



(6) We intend to cooperate with whatever program is presented by Public Safety Division to try to get the police into a position to act independently. We think the basic agency will have to be used by the Japanese Government to force this law and root out the particular cases. I don't want to know what Public Safety will do, and we don't want them to feel that we are stepping into their particular jurisdiction until they have made up their minds.

Now, that is a brief definition of general plans which have not been worked out in detail as yet. I would like to close the meeting at this point, and state that I think we are just beginning. Before the time of our next meeting I will send to everyone who attended this meeting a mimeographed copy of the minutes of the meeting, and I will suggest three items on which I'd appreciate your criticism and any other points you feel should be added.

I feel that at the time of our next meeting we should come here with a fairly well-worked out criticism of the programs proposed by the various sections and in addition with proposals in which we feel we can aid the various sections and divisions of sections in formulating their program. Secondly, I think we have got to come to a decision on what aspects of the Oyabun program we want to attack and in what order. Thirdly, I think we should come with suggestions for a press conference and for the issuance of a statement to be made, if possible by the C-in-C and the various section chiefs. Whether that should be coordinated and should be a joint press statement or whether it should be otherwise, I don't know. I would appreciate your comments, and I'd appreciate any items that you gentlemen feel should be added to the agenda by the next meeting.

Mr. Rose: I think we should do something in terms of delineating the attack. I mean to hit at certain aspects but with specific programs within each one of those areas.

Mr. Meyers: If there are no other comments I will close the meeting.



GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Civil Intelligence Section, G-2  
PUBLIC SAFETY DIVISION

APC 500  
20 May 1947

SUBJECT: Interview with D. G. Ortman  
AT, ESS, re: Oyabun

TO : Administrator, Police Group V.

1. On the morning of 20 May 47, the undersigned contacted Mr. D. G. Ortman (Anti-Trust & Cartels Section, ESS, SCAP) to ascertain the nature of the directive relating to tradesmens' Associations he supposedly had in preparation. He stated that he was not preparing a directive as such, but was preparing interpretations of the new Japanese Anti-Trust Law which becomes effective as of 1 July 1946. His object being to apply the new law toward the dissolution of the so-called tradesmens' Associations.

2. The purpose of the investigation insofar as Mr. Ortman's Section is concerned, is two fold. (a) To insure the flow of goods through legitimate, and unfettered channels from producer to consumer (b) to guarantee to each citizen the right to open a business without being obligated to "join" any type of organization or association. And, that all licenses and taxes be collected from the individual or concern by the proper government agencies.

3. Mr. Ortman expressed a desire to cooperate with the PSD and requested that a representative of this office be present at two meetings he has planned for the immediate future. One meeting will take place on either the 21st or 22nd of this month. (He will notify this office of the exact date and hour). At the first meeting will be limited to representatives from PSD, M.G. and M.P.B. The second will include those attending the first meeting plus representatives from the Tokyo Roten-Sho Dogyo Kumiai (Union of Out Door Stalls in Tokyo), the Tokyo Rotensho Dogyo Kumiai Tsukiji Shibu (the Tsukiji Chapter of the Trade Union of Stall-keepers) and the Josetsu Rotenginza Seiboku Shogyo Kyodo Kumiai (The Seiboku Commerical Co-operative Union of permanent stall-keepers of the Ginza).

4. Mr. Ortman referred briefly to a case of which he has intimate knowledge, wherein a policeman informed the proprietor of a new restaurant that he could not open his place for business. The proprietor of the new restaurant called at the home of the policeman and made "friendly gestures" toward members of



the policeman's family and subsequently gave the policeman six hundred yen. The restaurant was then allowed to open its doors. Details of this case may be obtained by the PSD representative from Mr. Ortman.

6. The accompanying Japanese reports were secured from Mr. Ortman.

*E. M. Arenschield*  
E. M. ARENSCHIELD  
Captain, CMP

*Have Shupat follow thru on case mentioned in Para. 4. If investigation verifies statement, policeman should be removed and case publicised on department. ABE*

*Ortman unwilling to disclose info  
Case dropped*



27 May 47

Mr Eaton -

In order to make up an overall plan with necessary recommendations - I believe that this office would meet with better success in doing away with the Ogathum System (organization) by having the Japanese Government Sections concerned with submit 2 plans towards the absolute dissolution of these organizations.

A. The 1st plan should be one that can be placed into effect immediately with such manpower, legislation & material on hand

B. The 2nd to include recommendations as to assistance



required in the way of  
legislation, added man  
power, etc. towards a long  
range program to bring  
about to a successful  
conclusion to this  
problem.

If the above is done  
down to detail by them  
we can use part  
or parts of their plans  
in making up our  
own plan with necessary  
recommendations.

What do you think?

2 July

okay by Eator (Verbal Consent)



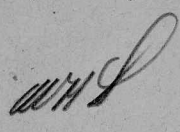
23 May 1947

Mr. Eaton

Have Fritz attend the meeting at 1400 this date. HE IS NOT TO TAKE ANY POSITION as far as this section is concerned. He is to listen and determine what these people propose to do. Any information helpful to the general problem may be volunteered. He will not commit himself to any decision which would amount to assumption of responsibility by this section. If any situations arise he will tell them he will convey the circumstances to us for our decision in the matter.

  
WHS*Meeting attended  
but not for purpose  
believed.*  
RS

Property rights are a subject for the courts. The police act in such matters only after a competent court has rendered a judgement. Property owners must, before requesting action by the police, seek the remedy offered them by the courts. Failure to comply with a court order brings police into the picture - they carry out the order of the court.





Mr Eaton - HSE 21 May 47 0845  
Maj Smith -

1. Attached find rpt of Interview with Mr D. E. Artman - ESS, AT re: O/PABUN (TEX./P).
2. Mr Artman is quite aware of the Tikiya system - has been working on it for some time and has many reports in his files (available to us).
3. It is quite apparent that the dissolution of the Tikiya will soon take place thru the efforts of other sections. That leaves but one target yet to be taken (that of infringement on personal property rights - which is strictly a police matter (law enforcement) - and can be handled solely by this office)? Can it? HSE
4. Capt Arenschield just called Capt Anderson. M.E. on an other



matter and was informed  
 that a meeting is being  
held in room 505 Forestry  
Bldg, Friday 23 May 47 at  
1400. The subject to be  
 discussed pertains to the  
 "Association of Tradesmen."  
 Those to attend:

PM

M G and other interested  
 sections. A Representative  
 of PSD is invited to attend.

Believe it fitting and proper  
 that a member of this <sup>office</sup> attend  
 and insert or convey any info  
 to them that might not  
 be known. Think PSD should attend  
 ASE

5. What action does this office  
 want to take??
6. In the past proper Liaison has proven  
 beneficial - duplication of work, etc.  
 Daitz



Authority **NND 775009**By **KJ** NARA Date **02/14/08**

**PUBLIC SAFETY DIVISION  
ROUTING SLIP**

FROM:	DATE:
<input checked="" type="checkbox"/>	Chief of Division
<input type="checkbox"/>	Asst. Chief of Division
<input type="checkbox"/>	Executive Officer
<input type="checkbox"/>	Administrative Officer
<input type="checkbox"/>	Administrative Assistant
<input checked="" type="checkbox"/>	Police Branch
<input type="checkbox"/>	Rural Police Branch
<input type="checkbox"/>	Communication Branch
<input type="checkbox"/>	MS and RMS Branch
<input type="checkbox"/>	Fire Branch
<input type="checkbox"/>	Prison Branch
<input type="checkbox"/>	Stat. and Anal. Branch
<input type="checkbox"/>	Legal Branch
<input type="checkbox"/>	Message Center
<input type="checkbox"/>	CIS, G-2

FOR:	Information	Comment
<input checked="" type="checkbox"/>	Necessary action	Return
<input type="checkbox"/>	Approval	Dispatch
<input type="checkbox"/>	Signature	Bulletin Bd.
<input type="checkbox"/>	Initials	File

**REMARKS:**

*action ok. This report, received 5 days after it was requested, does not bear out your verbal report of the reason for Lat Petty's action.*

*WWS*

*Eaton Information reported verbally was obtained by the record & not for official reporting on paper.*

17 May 47

Mr Eaton - HSE  
Maj Smith -

For info, comment & return.

1. No further Lonest (Major Lonest)  
contemplated by M & E.

2. M & E attempted to do away with  
stalls but failed.

3. Anti Trust presently is  
supposed to be working up a  
directive to do away with same.

4. Resignation of OZU to be  
Verified then harmful Lonest.

5. If okay — Anti Trust  
will be contacted in a casual  
way to elicit info for our  
own knowledge.

Int'l



GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Civil Intelligence Section, G-2  
PUBLIC SAFETY DIVISION

APD 500  
16 May 1947

SUBJECT: General Information obtained from Tokyo area MG  
re: Oyabun

TO : Administrator, Police Group V

At a meeting held in the office of the Tokyo District Military Government Detachment on the morning of 16 May 1947, wherein, the undersigned interviewed Messers Buchko and Hoshimiya (Military Government Natural Resources Section) the following information was obtained.

1. Mr. O<sup>zu</sup>~~so~~, the Chief of the Tokyo Street Stall Tradesmen's Association, resigned his position some time during the week just past (4 May to 10 May). It was revealed that Mr. O<sup>zu</sup>~~so~~ was an ex-convict, having served 10 years in prison. Whether or not his resignation would be nothing more than a paper transaction, Mr. Hoshimiya (Military Government Investigator) was unable to say at this time. However, he considered it quite possible Mr. O<sup>zu</sup>~~so~~ would attempt to carry on "behind the scenes".

2. Copies of the ordinances governing the activities of "unions" or associations were procured and are on file in the Police Branch, PSD. These ordinances have been in effect for some time and are presently in force. Mr. Buchko stated he had been informed that new ordinances relating to the same subject were now in the course of being drawn.

3. The Military Government, upon discovery of the operation of the Street Stall Tradesmen's Association attempted their dissolution under the provisions of SCAP Directive 1108, dated 6 Aug 1946 (Dissolution of Associations). However, higher authority was not in agreement that action could be taken under the above mentioned directive. Mr. Buchko informed the undersigned that a new directive was in composition under the direction of Mr. Ordman (Anti-Trust & Cartels Section), that would be designed to prohibit ~~its~~ future operations of the so called associations.

not so!

4. The undersigned was informed that further investigation of trades associations by the Tokyo District Military Government would no longer be classified as a major project. However, in the course of their general activities, any information of value that may be uncovered, will be made available to PSD. (Messers Buchko and Hoshimiya will pay ~~the~~ a visit in the near future.) **us**

E. M. ARENSCHIELD  
Police Investigator

WYJ



DECLASSIFIED

Authority NND 775009

By KJ NARA Date 02/14/08

29 May 47

Eaton -

For your info -

+

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Civil Intelligence Section, G-2  
PUBLIC SAFETY DIVISION

APC 500  
29 May 1947

To : Police Administrator, Group No. 5  
From : Mr. Harry Shupak.  
Subject: Conference re: Anti-Trust Organizations.

1. At 1000, 29 May 1947, this office was invited to attend a conference held in the offices of the Anti-trust Section of ESS, 7th floor of the Hottori Building.

2. Persons Attended:

- a. Anti-trust Section - Mr. D. B. Ortman.
- b. Provost Marshal - Capt J. W. Miller.
- c. Military Government - Mr. V. J. Buchko.
- d. Public Safety Division - Mr. Wm. Fritz,  
and Mr. Harry Shupak.
- e. Representatives of the Government Section  
failed to make appearance as scheduled.

3. Subjects Discussed:

a. New anti-trust director: Mr. Ortman stated that in the near future a directive would be issued covering the activities of the Tekiya, or Stall Vendors Associations; that this directive would out-law all organizations restricting free trade and enterprise, compulsory-pay membership and monopoly of normal flow of goods and materials. Under this direction the present Tekiya organizations would be outlawed.

b. Collection of Taxes: Collection of taxes by the Tekiya was discussed and illegalities stressed by all parties; however, it was suggested that remedies be presented prior to the absolute abolition of the present system.

c. Issuance of Licenses: The control of the Tekiya over the issuance of licenses was hit, and the police criticised. However, it was again shown that it would



be better to offer a solution for the situation, such as, setting up of a governmental agency to take over the licensing power from the police department.

d. Complaints against Tekiya Organizations: It was brought out that many complaints have been lodged with the police and city officials against the Tekiya with little or no results. Also the fact that cases brought to the Courts have seen no progress for periods of one year. This was also seen as a concern of the Government Section and would be brought to their attention.

4. Conclusion: Mr. Ortman closed the meeting with the statement that he would consult with the Government Section on the following four (4) points:

- a. ~~LAWs~~ covering general police powers in this matter.
- b. Transfer of certain police functions to local and prefectural government.
- c. Present methods of tax collection.
- d. The expediting of court procedure against Tekiya pursuant to personal and property rights.

Mr. Ortman stated that he would inform this office of the results of his talk with the Government Section, and on further action to be taken by his office.

*Shupak*

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Civil Intelligence Section, G-2  
PUBLIC SAFETY DIVISION

APD 500  
20 May 1947

SUBJECT: Interview with D. G. Ortman  
AT, ESS, re: Oyabun

TO : Administrator, Police Group V.

1. On the morning of 20 May 47, the undersigned contacted Mr. D. G. Ortman (Anti-Trust & Cartels Section, ESS, SCAP) to ascertain the nature of the directive relating to tradesmens' Associations he supposedly had in preparation. He stated that he was not preparing a directive as such, but was preparing interpretations of the new Japanese Anti-Trust Law which becomes effective as of 1 July 1946. His object being to apply the new law toward the dissolution of the so-called tradesmens' Associations.
2. The purpose of the investigation insofar as Mr. Ortman's Section is concerned, is two fold. (a) To insure the flow of goods through legitimate, and unfettered channels from producer to consumer (b) to guarantee to each citizen the right to open a business without being obligated to "join" any type of organization or association. And, that all licenses and taxes be collected from the individual or concern by the proper government agencies.
3. Mr. Ortman expressed a desire to cooperate with the PSD and requested that a representative of this office be present at two meetings he has planned for the immediate future. One meeting will take place on either the 21st or 22nd of this month. (He will notify this office of the exact date and hour). At the first meeting will be limited to representatives from PSD, M.G. and M.P.B. The second will include those attending the first meeting plus representatives from the Tokyo Roten-Sho Dogyo Kumiai (Union of Out Door Stalls in Tokyo), the Tokyo Rotensha Dogyo Kumiai Tsukiji Shibu (the Tsukiji Chapter of the Trade Union of Stall-keepers) and the Josetsu Rotenginza Seiboku Shogyo Kyodo Kumiai (The Seiboku Commerical Co-operative Union of permanent stall-keepers of the Ginza).
4. Mr. Ortman referred briefly to a case of which he has intimate knowledge, wherein a policeman informed the proprietor of a new restaurant that he could not open his place for business. The proprietor of the new restaurant called at the home of the policeman and made "friendly gestures" toward members of



the policeman's family and subsequently gave the policeman six hundred yen. The restaurant was then allowed to open its doors. Details of this case may be obtained by the PSD representative from Mr. Ortman.

6. The accompanying Japanese reports were secured from Mr. Ortman.

E. M. ARENSCHIELD  
Captain, CMP

11 July 47

Caton:

The attached report was secured from Mr Arkman - AT-ESS this date re: associations under jurisdiction of Police. Gained the impression today from Arkman that the whole thing is up to someone else - preferably Gov. Sect.

Get info & pass on to Maj Smith <sup>if desired</sup> & return.

7

256  
17  
239



*Rec. 11 July 47 from Mr. Arkman, AT, ESS-SAG SEC  
Enr PSD file*

WFM/GFS/DBO/ws  
7 July 1947

**MEMO FOR RECORD:**

**SUBJECT: Local Associations Under  
Jurisdiction of the Police**

1. In the course of investigations by this Branch to disclose associations and companies exercising control over the production or distribution of goods and raw materials or the free entrance of individuals into an industry or occupation, a category of organizations was discovered which operates under the authority of the local police. (e.g. Street Stall Operators, Restaurant, Cabaret Associations, Etc.)

a. Through this authority all individuals in certain industries are compelled to belong, as well as to pay initiation fees, regular dues, and special charges of various kinds.

b. Further, with or without legal authority the business of members is regulated in numerous respects, such as setting prices and determining whether and where a man can operate his businesses.

c. Some of these organizations have taken upon themselves the responsibility for maintaining "law" and "order". They maintain mobile strong-arm squads allegedly to "protect" their members in case of trouble, but actually as a threat to hold over members and non-members.

d. Some of the associations are allocated goods or purchase goods in the free market for distribution to their members.

2. Large numbers of organizations of this type exist, not only in Tokyo, but throughout Japan. In cities and even rural areas they form the basis for local bosses who place themselves, in many cases, over the government officials and police, control the black market and legally or through intimidation, force the payment of "protection" money from local business men. Under paragraph 1d, above, these organizations appear to violate the intent of SCAP directives (Originating in this Division) which order the Japanese Government to "dissolve existing control associations" and to eliminate the "control of distribution of materials and products . . . by a designated private company or association." Under paragraph 1a, b, and d, above, all of these associations appear to violate the intent of the Antitrust Law.



Basic: Memo for Record dated 7 July, continued

3. This type of association is usually established under the Civil Code but sometimes under the Commercial and Industrial Cooperative Union Law. They are authorized by the Police to supervise the merchants of a certain locality. This police authorization takes the form of regulations published in the Police Gazette stating that a business man of a certain kind must keep on hand a certificate of membership in his corresponding association. The association may levy dues or charges and make any rules in regard to its members so long as its Articles of Association and its officers are approved by the police. The only legal basis for action of the police in most of these cases is derived from Articles 3 and 13 of the Administrative Police Ordinance of 1913 which states that the police are responsible for sanitation and for public morals. In some cases there are other statutes on which the police base their action, such as the Price Control Regulations, the Second-Hand Dealers Regulations, and a few others. In all cases the national statute sets down only certain general regulations to be followed. Under Article 4 of the Police Ordinance which states that the "Director General . . . can, concerning duties under same, issue orders to the whole or part of his jurisdiction by his own authority . . ." and the police have ordered these associations to be formed. As noted above, once these associations are set up, they may make regulations of almost any character. For instance, the Street Stall Associations were allegedly set up by the police to enforce the Price Control Regulations. However, at present, they control almost every phase of the Street Stall Operator's business.

4. Since the initiation of this investigation by this Division a number of other Sections of SCAP and FEC have expressed an interest in the problem of these associations.

a. The Economic Section of the Tokyo-Kanagawa Military Government Team has expressed its interest in eliminating these associations as one of the principal outlets for the black market of staple foods and other rationed goods.

b. The Public Safety Division of the Civil Intelligence Section, G-2, has also inquired regarding these associations because of the responsibility of CIS in the reorganization of the Japanese Police and because of the methods of intimidation utilized by these associations and the large number of individuals of ill repute connected with them.

c. The Provost Marshall who is charged with supervising the Japanese police force in Tokyo is also concerned with the fact that the Tokyo Police Force, already overworked and undermanned, is expending its energy in a field which should rightly be the duty of the Prefectural Government or a comparable governmental agency.



**Basic:** Memo for Record dated 7 July, continued

5. A number of issues are raised by these associations which are only of indirect interest to this Division. They include:

- a. The matter of the general powers of the police.
- b. The question of transferring the above functions from the police to the prefectural governments.
- c. The collection of taxes by private individuals or associations to be turned over to the Prefectural Government, less a commission.
- d. The expediting of court action in a number of cases of trespass and intimidation involving these associations and their leaders. (In these cases, suit has been pending for some time in an effort by the injured parties to obtain redress for damages and to regain use of their own property.)
- e. The influence of these associations on local governments, especially in view of the fact that a number of the leaders of these associations ran for public office in the last election and headed local political and pressure organizations despite their unsavory reputations. (Note Memo re Street Stall Association - paragraph 4).

6. All of these matters are of especial concern to the Government Section, so Mr. Tilton, Chief of the Local Government Division of Government Section, was consulted. He stated that this type of problem was being considered during the process of reorganizing the systems of local governments, police and courts now going on under the supervision of the Government Section. Therefore, he suggested that information regarding these associations be exchanged among the interested Staff Sections and that the Government Section would consider this information in preparing its plans for the reorganization of local governments. At the same time he assured the representatives of this Division that in dealing with these associations, his Section would consult the Antitrust and Cartels Division, ESS, before taking any action.

7. For the reasons noted in paragraph 6, above, this Division is referring this memorandum and further inclosed information regarding these associations to the Government Section. Similar information will be forwarded to the CIS, Provost Marshal, and to the Eighth Army Military Government Section.

Incls:  
Memo for File (1)  
Interview Rpts. (8)

E. C. W. \_\_\_\_\_ 26-6561



GFS/DEC/nh  
26 May 1947

## MEMO FOR FILE:

SUBJECT:      A. Tokyo Street Stall Association  
                  (Tokyo Retensho Dogyo Kumiai)

                  B. Takuji Branch of Tokyo Street  
                  Stall Association

                  C. Ginza Street Stall Association  
                  (Ginza Seiboku Kai)

1. The Tokyo Street Stall Association was established on 11 October 1945 under the regulations for the control of Street Stall businesses promulgated by the Metropolitan Police Board. It has 43,316 members in 73 Branches, of which Takuji is one. Takuji Branch has four (4) subordinate local associations of which Ginza Seiboku Kai is one. The Ginza Association has 500 Members. The all Tokyo Association has a staff of about thirty (30); the Takuji Branch has one full-time employee; and the Ginza Association has a staff of seven (7).

2. Every person desiring to open an eating place or to sell goods on a public street is required to belong to one or more of these associations. The association, in the name of the police, then tells the individual where or whether he may do business. The association is responsible for supervising the stalls to see that "approved" (not necessarily legal) prices are observed, that the streets are cleaned and that other police regulations are carried out. Also, the association is supposed to "protect" its members in case of fights, riots, etc.

3. Very little accounting is made of the income and expenditures of these three (3) associations. However, they did account for approximately ¥2,000,000. which was spent, principally for "social expenses," "expenses for personal betterment," "expenses for guidance," "allowances for officers," "communication expenses," and "miscellaneous expenses." When details were requested on these items, representatives of the association justified ¥50,000. for communication expenses as the cost of taxis to bring their men down to "negotiate" with the Koreans at the time of the riots in Shimbashi last year. Three (3) copies of their one-page newspaper cost ¥131,336. Other expenses included "maintaining a reference library," "promoting every kind of sports," "purchasing drugs," "hospital expenses," and other expenses for "the cultivation and amusement for all employees."

4. The president of this association, until recently, was a Mr. Kinusuke Ozu, who was described as "a man of benevolence" who had spent his life in philanthropic pursuits. Recently he ran for election to the Diet and was defeated. Because of this he resigned. Mr. Ozu was convicted in 1933 for manslaughter when one of Mr. Ozu's henchmen killed an interloper who was attempting to compete with Mr. Ozu for control of the Shinjuku Market. After ten (10) years imprisonment, Mr. Ozu resumed his



Basic: Memo For File Dated 26 May 1947. Continued

control of the Shinjuku area and set up a market of his own in that vicinity. That the land on which the market was located was owned by someone else did not disturb Mr. Ozu and when the owner protested, he was threatened by certain of Mr. Ozu's friends. Somewhat later the manager of one of Mr. Ozu's markets was convicted of black marketing and fined ¥50,000. in the Provost Court. Mr. Ozu, it was alleged however, has continued his benevolent works. He sponsored a project for the purchase of bicycles and rickshas for repatriates, he is the head of a non-profit medical treatment organization; head of "Relief for Tokyo Peoples Funeral" and various other welfare organizations. Also, he is active in the Tokyo Chamber of Commerce and Industry; the Tokyo-To Vegetable and Fruits Control Association; and numerous local political and businessmen organizations. However, his principle activity is, as owner of one of the largest markets in Tokyo, located in Shinjuku. His monthly income has been estimated to be more than ¥200,000.

5. Other activities of these associations in recent months have been:

- a. Purchasing awning and stalls for resale to their members.
- b. Purchasing of goods to be sold by their members.
- c. Conducting "sample fairs" at which members can meet and purchase from merchants. In these cases a small commission is charged by the association.
- d. Arranging to lower the price of articles sold on the Ginza by five (5) percent to ten (10) percent. However, they still remain much higher than legal prices.
- e. " . . . when numerous Chinese and Korean stall-keepers who were not members sold contraband articles without permission, causing much complication and annoyance to the members of the Chapter, the officers of the Chapter, with the assistance of the competent Government authorities, took adequate measures and succeeded in stopping their dealings of contraband articles . . . " This refers to the riots of last spring in Shimbashi.

GEORGE F. SIEKER  
Acting Chief  
Controls Cartels Branch

1 Incl:  
Chart

CHART I**Membership, Income and Personnel of Certain  
Street Stall Associations, 1 May 1947**

	<u>No. of Members</u>	<u>Income March 46 to April 46</u>	<u>Full-Time Officers</u>	<u>Clerical Personnel</u>
All Tokyo Ass'n.	46,000	¥1,531,630. (a)	12	20
Tokuji Branch	1,100	¥ 50,723. (b)		1
Ginza Ass'n.	800	¥ 137,530. (c)	3	4

- a. (1) Initiation Fee - ¥10.  
(2) Tokyo Ass'n. fee - ¥3./mo. from each member.
- b. Branch Ass'n. fee - ¥2./mo. from each member.
- c. (1) Street cleaning fee - ¥3./day from each member.  
(2) Commission for collecting city tax of ¥1./day on all stalls operating.  
(3) Also collects ¥55./mo. from each member for electric bill. ¥31. goes to the Kanto Electric Co. and ¥24. to the Tokyo Seidan Co. for maintaining the bulbs, and wiring for lights on the stalls. The president of the Tokyo Seidan Co. is also the head of the Tokuji Branch and head of the Ginza Association.

N.B. There are 76 Branches, and 340 subsidiary associations, affiliated with the All Tokyo Ass'n. Assuming that the income of all these organizations approximate those of the Tokuji Branch and the Ginza Ass'n., the total income of all Street stall Ass'ns. in Tokyo would amount to about ¥58,460,000. per year. It is suspected that, because of their inadequate accounting, a considerable portion of the income may not have been noted in the financial statements which they submitted. Therefore, the actual figure may, in reality, be much higher.