

Martin Bronfenbrenner and Japan's Post-WWII Economic Recovery

Nitish Basandra* & Shreyas Srinivas#

Professor E. Roy Weintraub, Faculty Advisor

April 16, 2012

Duke University

Durham, North Carolina

Honors Thesis submitted in partial fulfillment of the requirement for Graduation with Distinction
in Economics in Trinity College of Duke University.

* Nitish Basandra will be working as a full-time investment-banking analyst at Morgan Stanley in New York. He can be reached at nbasandra1990@gmail.com.

Shreyas Srinivas will be taking courses and conducting research at UCLA prior to applying to medical school. He can be reached at srinivas.shreyas@gmail.com.

Acknowledgements

A successful piece of academic work takes a collaborative effort, not just the individual ideas of the immediate authors. We wish to thank our editor and professor, E. Roy Weintraub, for his valued support. He directly helped us shape this paper, and for that, we are dearly grateful.

Abstract

This paper explores the economic recovery of post-World War II Japan through the eyes of the late Duke professor and American economist Martin Bronfenbrenner. Specifically, we address the period of US Occupation from 1947-1952, detailing how Bronfenbrenner sensitized America to Japanese economics. Along the way, Bronfenbrenner faced several obstacles as his loyalty to the US was questioned due to his growing attachment to the Japanese culture and passion for helping it through crisis. Using a methodological approach, we begin with Bronfenbrenner's initial encounter with a fallen Japan, and conclude with a thorough analysis of his vision for Japan's reconstruction.

JEL classification: N; N00; N15; N35; N40; N55; N70; N85

Keywords: Martin Bronfenbrenner, economic relations, trade, US-Japan, recovery, Occupation, exchange rates, international economics

Table of Contents

I. Introduction	5
II. Carving a Path of Greatness: Influential Figures in Bronfenbrenner's Life	7
III. Japan at War's End	11
IV. Japanese Economists' Concerns	17
V. Bronfenbrenner's Calculated Approach to Intervention	19
VI. Prospects for Recovery of Japanese Economy	21
VII. The US Protectionist Attitude Towards Japan	23
VIII. US-Japan Economic Relations Post-WWII	27
IX. Bronfenbrenner's Advocacy for a more Outspoken Japan	32
X. Bronfenbrenner on US Occupation through Yen Evaluation	35
XI. Bronfenbrenner's Four Periods of Japanese Revitalization	39
XII. Bronfenbrenner's Reflections on US Occupation	49
XIII. Conclusion	55
XIV. Works Cited	57

I. Introduction

Eastern Economic Journal: Can we reminisce for a few minutes about the life and career of Martin Bronfenbrenner, beginning with your choice of economics as a profession and a Chicago Ph.D. as your first big step in that direction?

Bronfenbrenner: How can I possibly resist this opportunity to talk about one of my favorite subjects—myself? (Eastern Economic Journal 1987, 1-6)

How *do* we describe a life filled with academic endeavors and self-fulfilling curiosity? Born in 1914, Professor Martin Bronfenbrenner learned, taught, and implemented his broad knowledge of economics around the world. Confused but brilliant early in his career, Bronfenbrenner chased the discipline with inquisitive fervor through his uniquely sarcastic discourse (Goodwin 1998, 1779). He approached economics as a curious layman looking for real-world solutions to theorized problems. With a lifetime of service to economics, Martin Bronfenbrenner set himself apart from the everyday economist by taking the norms with a grain of salt.

Deciding to put his passion for journalism on hold, Bronfenbrenner received his Ph.D. in 1939 and briefly worked at the US Treasury (Bronfenbrenner 1988, 3-10). With the onset of World War II, this position would be short-lived. The news of Pearl Harbor ignited Bronfenbrenner's interest in the war, and in 1943 he *reoriented* his career by pure chance, participating in a Japanese language-training program in the US Navy. Even though it was the “most unpleasant educational experience [Bronfenbrenner] ever had”, this first engagement with the war would prove vital later in his career (Bronfenbrenner 1988, 3-10). Deployed as a language officer after the surrender of Japan, Bronfenbrenner was bitten by the “Japan Bug”.

When he reached Japan at the war's end, he realized his own deep interest in economic systems paralleled the economic uncertainty Japan faced in light of the war. In his words, Japan's transition from a military dictatorship to "something very different, although nobody knew just what" left him with numerous questions about the changing economic atmosphere (Eastern Economic Journal 1987, 1-6). Familiarity did not breed contempt as Bronfenbrenner developed a strong relationship with the Japanese culture in addition to his ongoing concern about their economy. In fact, his family life was rooted in Japan where he met his wife Teruko, with whom he had two children. Rather than returning to the United States in 1950, Bronfenbrenner questioned the postwar consequences in Japan. His initial ambivalence towards Japanese progress quickly turned into an infatuation with the complexities of a dynamic Japanese economic system.

Outside the economic realm, Japan was simply an anomaly due to its state of affairs with the US both during and after the war. In Bronfenbrenner's words:

Japan's appeal was not a matter of serenity, geishas, and Mt. Fuji. There was no serenity about immediate postwar Japan... Mainly, I think, being a highly-privileged observer of a society in flux—turning itself inside out, under an Occupation mild enough to transform wartime hatred into a temporary wave of good for something. And secondly, going back to 1945, the realization that Language School Japanese was good for something, so that my investment of time and effort was not a complete waste. (Bronfenbrenner 1988, 3-10)

While Bronfenbrenner served in Japan after the war, he had a role in the rebuilding of Japan's economy. Specifically, he had an important consultative position in economic relations between the United States and Japan. His dedication and research on the Japanese economy covered the most relevant economic issues of the time, with emphasis on development economics, banking, and trade. In this thesis we seek to understand and explore Martin Bronfenbrenner's views on, and contribution to, Japanese postwar recovery from 1945-1952.

II. Carving a Path of Greatness: Influential Figures in Bronfenbrenner's Life

Martin Bronfenbrenner described his contribution to Japan as assisting in “keeping general economics alive and making Japanological economics respectable” (Ikeo 2011, 3-5). But, how was he able to achieve this? Bronfenbrenner needed a strong foundation if he was going to change an entire nation's misfortunes. By learning about his roots we will be able to understand his mindset regarding Japanese recovery.

After attending Washington University in St. Louis for his undergraduate studies, Bronfenbrenner received two fellowship grants at the University of Chicago Graduate School of Economics in 1934. He was surrounded by brilliant minds, from prominent professors like Henry Schultz, Jacob Viner, and Paul Douglas, to distinguished classmates and future Nobel Prize winners including Milton Friedman, Paul Samuelson, and Hebert Simon. Bronfenbrenner felt the pressure of trying to fit in with those academic stars. However, he soon realized that he was not supposed to emulate others; rather, he needed to create his own unique achievements with what he was born with. In his biography, Bronfenbrenner said, “Overworked by the brilliance of the undergraduate Samuelson, I had been reassured by Douglas that ‘You needn't be a Samuelson to get along in Economics’ – the best academic advice that I have ever received.” Aiko Ikeo, a younger Japanese historian of economics, noted that his elitist pride motivated him to “confidently live a different professional life from theirs as a general economist with a bird's-eye view of how economies and economics would work and how real institutions would matter in making economic policies” (*loc. cit.*).

However, this is not to say that Bronfenbrenner did not appreciate and take the time to learn from his peers. For example, before the Keynesian era, he was captivated by Simon's “laissez-faire”. Viner taught Bronfenbrenner more about international economics through his

experiences with financial policies in Washington (*loc. cit.*). In fact, it is logical that Viner's teaching bolstered Bronfenbrenner's efforts to fix the Ryukyuan yen in 1949 (will be discussed later).

While Simon and Viner shaped Bronfenbrenner's ways of thinking, the economist who influenced him the most was his thesis supervisor Henry Schultz. Schultz had gained recognition in Japan with his scientific papers and book *Statistical Laws of Demand and Supply, with Special Application to Sugar*. Moreover, he guided Bronfenbrenner through his 391-page dissertation about monetary economics and general equilibrium theory. In Aiko Ikeo's words:

Bronfenbrenner and the Japanese economists of his generation came to share the economic research tradition of Walrasian general equilibrium approach and the interest in theory of money and it later helped him share economic knowledge with Japanese economists during his stay in Japan in the post-WWII period. (Ikeo 2011, 9-10)

In particular, Bronfenbrenner was regarded as a general equilibrium economist who focused on the relationships of economic activities via price signals in the market, with the coordination of individually-made economic decisions in production and consumption. However, Schultz's untimely accidental death in 1937 left him isolated in the general pool of striving economists.

After receiving his Ph.D. in June 1939, Bronfenbrenner became an assistant to Paul Douglas in statistical studies dealing with Cobb-Douglas production functions. Douglas taught Bronfenbrenner the art of data collection and how real institutions, such as trade unions, function (MBP 15, Prospects of Japanese democracy)¹. The following years were dominated by the Keynesian revolution, and Bronfenbrenner immersed himself in this new theory.

September 2, 1945 marked the end of the war in East Asia as the Ambassador of Japan, Mamoru Shigemitsu, signed the official documents of surrender. General Douglas McArthur led

¹ This is taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. Specifically, it is from a journal article titled "Balm for the Visiting Economist" by Martin Bronfenbrenner, submitted to the *Journal of Political Economy*.

the Allied Powers in its occupation of Japan until April 1952. The underlying goals of Occupation were disarmament of nuclear-related facilities, economic relief, and the establishment of a democracy (MBP 13, Galbraithian economy)². In the fall of 1945, Martin Bronfenbrenner made his first of many visits to Japan.

Bronfenbrenner landed in Kyushu, the most western territory in Japan and closest to China. According to Ikeo, “Bronfenbrenner’s attitude to Japanese intellectuals was probably more cautious and polite than any other non-Japanese. It can be said that he was looking at the human aspects of the Japanese people” (Ikeo 2011, 12-14). Japanese economist Yukichi Kurimura was chosen to aid Bronfenbrenner. Kurimura, whom Bronfenbrenner called the *Japanese Marshall*, was well-versed in monetary economics and was actually the only economist Bronfenbrenner met in 1945. While Bronfenbrenner and Kurimura would become close over the years, their first encounter was not encouraging. Bronfenbrenner noted:

On my first day...a janitor led me from the main gate through the dark corridors of dark buildings, windows being still blackened out as air-raid defenses. Eventually we reached an office where a starved-looking professor...was conducting a seminar for two starved-looking students. When I appeared, the professor thought my mission might be his arrest, and he was visibly shaken (Ikeo 2011, 15-16).

It is important to observe the general state of Japan at the end of the war, as well as the war’s impact on the mental and physical health of its citizens. Coupled with weak infrastructure, all buildings in Japan had been under the danger of aerial attack. This sense of danger left the population in constant apprehension and terror. At first glance, Kurimura was frightened and caught off-guard by an unfamiliar face. Rather than contemplating whether Bronfenbrenner was the person he was supposed to aid, Kurimura instantly felt threatened (MBP 15, Prospects of

² This is taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. Specifically, it is from a report titled, “Japan’s Galbraithian Economy” by Martin Bronfenbrenner.

Japanese democracy)³. On the other hand, Bronfenbrenner must have been just as shocked to see the environment in which Kurimura had to teach, leaving him to wonder how Japan was a completely different world.

Despite such wary first impressions, their friendship blossomed after recognizing each other as modern economists “in the sense of Oskar Lange’s terminology” (*loc. cit.*). Another factor that may have played into their compatibility is that Kurimura was essentially the only non-Marxist in the Kyushu Faculty of Economics. A number of Japanese Marxist economists, who had been opposed to the war, were rehabilitated in Japanese academia and gained power. This therapy shaped academic economics in postwar Japan.

Bronfenbrenner’s visit to Kyushu ended in December 1945 when he returned to the United States. As he sat on the train, he peered out the window only to revisit his initial worries (MPB 15, Short stories)⁴. Each city he passed looked like a mirror image of the next, one bombed and burnt after another. Bronfenbrenner could have easily shrunk in the moment and dismissed a follow-up visit by claiming that the damage was irreparable. He could have been disheartened and overwhelmed at the amount of work required to achieve that desired goal of nirvana. Some could say that he was already too invested in Japan and that quitting would only hurt his reputation (*loc. cit.*). But, Bronfenbrenner was not driven by what others thought about him and was not interested in being a follower. If Bronfenbrenner was going to do something, he was going to do it his way, even if it meant departing from the standards (*loc. cit.*). He did not know beforehand that his career as an economist was going to be defined by his work with

³ This is taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. Specifically, this is taken from class lecture notes by Warren Samuels in 1945 which he titled, “Notes from Martin Bronfenbrenner’s Course in Distribution of Income”.

⁴ This is taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. It refers to a section in Martin Bronfenbrenner’s unpublished autobiography titled, “Marginal Economist”.

Japan, but his genuine interest in the subject kept him engaged to what he loved (*loc. cit.*). He did not need to be the next Keynes or Schultz- he was happy being Bronfenbrenner.

III. Japan at War's End

In order to study the US-Japanese relationship during postwar recovery, we must assess Japan immediately at the end of WWII. The Japanese Empire had disappeared. Bronfenbrenner pointed out that “45% of the land area occupied by Japan before 1941 was now cut off politically”, but he suggested that this impact would have deeper economic implications (MBP 15, Occupation)⁵.

Watching this demise of the empire, Bronfenbrenner first assayed the results of the Japanese loss of land. How would the loss of sovereignty directly affect Japan's capital power? The destruction from the war had already cost Japan an estimated 25% of physical capital stock (*loc. cit.*). However, Bronfenbrenner went on to note that this capital stock failed to account for human capital losses as well as degradation of natural resources. Thus, rather than looking at this problem as a single entity of capital loss and destruction, he divided the losses into sectors, each of which he believed must be alleviated individually if Japan were to fully recover.

The war did not just impact Japanese land. With much of the concentration of damage in urban areas, Bronfenbrenner assessed the consequences of such destruction. Noticing that over 90% of population hubs had been attacked by air, he calculated that approximately half of the housing units had been destroyed, and the destruction accounted for a quarter of all Japanese housing. Furthermore, regarding urban areas as production hubs, Bronfenbrenner feared that heavy losses of labor would devastate agricultural output (*loc. cit.*).

⁵ This section is taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. Specifically, it is from an article titled, “US Occupation (1948-1952): Economic Aspects” by Martin Bronfenbrenner, submitted to the *Encyclopaedia of Japan*.

If general urban destruction was not enough of a setback, the Japanese had larger things to worry about according to Bronfenbrenner. Despite the destruction, the population rose at the end of the war. Bronfenbrenner stated, “To the resulting repatriation would soon be added the repatriation of Japanese civilian residents, and later of war prisoners, from the Empire, from the war zones, and from prison camps (*loc. cit.*)” He wanted to analyze the repercussions of the population boom postwar. The migration of conscript laborers from China and Korea to Japan only exacerbated the overpopulation (*loc. cit.*). He was blunt; the effect of these migrations would leave an additional six million people hungry in Japan. Unfortunately, if a lack of economic production combined with overpopulation seemed devastating, the Japanese needed to quickly transition from wartime economic decision-making to postwar recovery.

What immediate changes would be required for Japan to make this transition occur? Bronfenbrenner pointed out the challenges ahead in changing the Japanese economic approach. Towards the end of the war, the Japanese had adopted a wartime rationing and allocation system that needed to be replaced. Naturally, the governmental allocation of goods destroyed the Japanese market system. However, this simple transition proved to be the limiting step in economic recovery. Referring to Adam Smith’s “invisible hand”, Bronfenbrenner urged the Japanese to be patient, for “[market] revival from prolonged paralysis would require both more time and more tender loving care than it received on the morrow of surrender” (MBP 16, US-Japan)⁶. Without this rapid change, the Japanese “re-awakening” would inevitably be static.

Japan lay in shambles. Bronfenbrenner took it upon himself to calculate the damage and the major obstacles to be overcome. He assayed and divided the immediate postwar obstacles into short-term and long-term problems. Though his evaluation sounded disheartening,

⁶ This was taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. This is from a public lecture Bronfenbrenner gave at the University of Wisconsin in 1956 titled, “US-Japanese Economic Relations”.

Bronfenbrenner merely painted the realistic portrait for the Japanese at the immediate end of the war. The numbers spoke volumes and allowed him to signal to the Japanese the arduous journey that lay ahead.

Bronfenbrenner underscored five major short-run hurdles, encompassed in a period of “reconversion”, before Japan could alleviate the long-run issues during actual reconstruction. Scarcity of food, fuel, housing, labor, and inflation destroyed the foundation for any progress-driven state. Furthermore, the development of an industrial democracy was pivotal to the success of the Japanese recovery. However, the US presence even as a necessity would hinder Japanese advancement. As Bronfenbrenner stated to his University of Chicago audience, “[in Japan] nobody worries about meat and nylon stockings”, signaling his tendency to poke at and contrast American first-world preoccupations with real postwar predicaments (MBP 15, Postwar)⁷.

Japan was partially a victim of circumstance at the war’s end, as the century’s dependence on food imports such as rice immediately collapsed. Furthermore, millions of Japanese service men overseas returned expecting a home-cooked meal in a country where the domestic crop failed by twenty percent due to typhoons. Unfortunately, the Japanese dependence on seafood could not compensate for the dismal crop season. Fishing fell far below normal due to shortage of boats and equipment after the war. Bronfenbrenner pointed out that despite rampant disease among the malnourished, there was one consolation; people “were simply not dropping dead” (*loc. cit.*). Though he was blunt, the effect of this statement was to concede food shortage and disease as expected problems in such a postwar state. What really dumbfounded Bronfenbrenner was the role of the Japanese economist during such times.

⁷ This was taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. This is from a lecture Bronfenbrenner gave at the University of Chicago in 1946, titled “Economic Problems of Postwar Japan”.

It might please you as economists to hear that much of the present unfortunate Japanese food situation is ascribed by your Japanese colleagues to the military party's extreme suspicion of University-trained economists and their reluctance to use them during the war period (*loc. cit.*).

Translating Bronfenbrenner's sarcasm, the absence of Japanese economists foreshadowed the failure of both prices and rationing of food. Decrees came from army personnel with "no conception whatever of economic forces" (*loc. cit.*). Coupled with the inevitable failure of rationing offices and farmers to provide goods, the citizens resorted to a more common Japanese source, the black market, whose prices were uncontrolled, and often unaffordable. Though Bronfenbrenner saw this as a general detraction from moving towards restructuring the market economy, there were no other options.

The dearth of food in Japan was unavoidably accompanied by a shortage in fuel (MBP 14, Loose)⁸. Assuming a family had access to food and shelter, where would they obtain the energy to cook? Unfortunately, Japan's fuel options were limited to coal and charcoal, commonly exported to both China and Korea. Bronfenbrenner addressed this problem as more of a conscript labor issue, as more Chinese and Koreans represented the workforce in the Japanese fuel industry. As this conscript labor force anxiously awaited repatriation to their respective homelands, they abandoned the fuel production industry, leading to a major decrease in coal production. Though the common household only required a few sticks of charcoal, the sudden drop in coal production required yet again a rationing system. Bronfenbrenner once again expressed the limits of the rationing system in the hands of the military-powered government, instead stressing the Japanese need to foster a national labor force for coal production to lessen dependence on conscript laborers.

⁸ This is taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. In particular, this is from an essay Bronfenbrenner wrote titled, "A Japanese University- A Worm's-Eye View by a Foreign Worm."

Conscript laborers only worsened the already looming problem of an unmotivated Japanese workforce. Bronfenbrenner believed this was a pre-war issue, as wages were unable to keep up with prices and only worsened via seasonal unemployment in industries such as farming. As the economy continued to fail, so did the working class. At this point, Bronfenbrenner noticed the Japanese government's concession to allow the US to assume a certain leadership during these postwar pitfalls.

The Japanese government fosters this dissatisfaction [towards American Occupation] by a kind of do-nothing policy toward all major economic problems, leaving the solutions to the American authorities (MBP 15, Postwar).

Bronfenbrenner's disdain for the lack of economic thought by the Japanese government should not be mistaken for supporting American decision-making. While intervention might have been inevitable, the American Occupation only stalled the Japanese short-run "reconversion".

The major repairs for Japanese infrastructure pointed out by Bronfenbrenner were combated by the mere presence of US troops in Japan immediately after the war. Despite the bundles of food received from the US, the sustenance required for the troops still exacerbated the ongoing food crisis. Bronfenbrenner specifically addressed the unnecessary requisitioning of goods and assets from the Japanese populations. The Americans asserted their power in the food sector, requisitioning not only eggs, but also "pre-empting 100 percent of the local supply [of beer], and that is that". Bronfenbrenner clearly scoffed at the inflexibility of the American troops' indulgences during the Japanese shortages. Though he attributed this to the general enmity throughout the war, the diversion of Japanese resources into supplies for troops rather than the native population "made things net worse" (MBP 14, Loose).

The American Occupation indirectly shifted the Japanese sellers' focus to simply catering for the American troops. Bronfenbrenner blamed the American purchasing power and "its superposition of the American standard of living on Japanese society on a large scale" (MBP 15, Postwar). US troops were paid in yen, and dominated what was left of the market supply of goods. As businesses declined, some shop owners forgot about the condition of their Japanese brethren and began to provide for solely the American troops. Bronfenbrenner saw the establishments of "shops, movies, dance halls, and other establishments" as blasphemous during the housing crisis. On the other hand, that is where the money and food was.

While American Occupation proved an economic hindrance to the Japanese, Bronfenbrenner was more concerned about the fostering of Japanese resentment towards the Occupation. Japanese nationalists blamed the US troops for all the troubles facing their country, and the US troops became the scapegoat for the lackadaisical, inept national government. Bronfenbrenner resented both sides for their flaws immediately postwar, but clearly hinted at the inevitability of US leadership under such circumstances.

Whose side did Bronfenbrenner take immediately following the war? The Japanese had clearly moved backwards after the war, and Bronfenbrenner could only point out the major setbacks for a successful reconstruction. Though he focused on those realities, he was impartial towards the many anticipated issues of any nation following the chaos of a long war. This attitude was juxtaposed with his critical evaluation of the US presence and its impact. He questioned the reasons for US Occupation.

Why are we staying, then? Our troops want to return, the Japanese don't want us; and we are not doing any particular good. There is the unfortunate fact that many individuals, both officers and men, but mostly officers, are having themselves a wonderful time in Japan, making large sums on the black market, amassing souvenirs, ordering the people about, and generally availing themselves of a long

vacation from home-town public opinion in general and from their wives in particular. (*loc. cit.*)

He scolded the inappropriate attitude of the US troops during the suffering of the native Japanese people. Though he never explicitly mentioned it, he seemed to empathize with the Japanese situation at the time. His harsh characterization of the troops portrayed a hint of embarrassment, as an American economist, towards the US approach of “helping” Japan. Bronfenbrenner would use these setbacks to outline prospects for Japanese recovery, as his connection to Japanese resurgence grew.

IV. Japanese Economists’ Concerns

Martin Bronfenbrenner’s detailed suggestions on the restructuring of the Japanese economy still required the aid of Japanese economists; top economists had been assembled to form the Economic Stabilization Board, a group created to eventually form the Economic Planning Agency. However, Bronfenbrenner assessed the education of Japanese economists at the time to be a cause for concern.

Bronfenbrenner’s early criticism during the postwar recovery was the competency of economists trained in Japan. Was the Japanese economist ready to be tested by the trials and tribulations of the postwar period? According to a report by the Science Council of Japan in 1988, Japan’s graduate schools for economics were “neither efficient nor institutionalized enough to produce excellent economists” (Bronfenbrenner 1950, 135). Education was at the forefront of postwar reform, as it saw a wave of turning points, from postwar reform until 1949 to the student riots of 1969.

After 1945 the US Education Mission restructured the antiquated and often rigid paths of the Japanese education to the more conventional system of elementary school, high school, four years of college, followed by five years of graduate school. The system before WWII provided

little opportunity for high school students, who chose from very few entrance examinations corresponding to very few specialties. The Japanese approach was simple: learn your specialty, whereas the US put emphasis on having a specialized education preceded by a well-rounded liberal arts education. Bronfenbrenner witnessed the state of Japanese economic education in 1950 and commented, “Japanese economic thought...seems to suffer from three besetting ailments: sectarianism, inbreeding and schizophrenia. On the other hand, these ailments are common in Japanese intellectual life and are probably less rampant today than they were a few years ago” (*loc cit.*).

Bronfenbrenner used sectarianism, inbreeding, and schizophrenia to represent three important facets of an economic education. He saw economics as a practice that required application from “both academic and practical perspectives” (MBP 15, Education)⁹. Sectarianism often separated theory from the practice of economics, which Bronfenbrenner thought limited the general ability of the Japanese-trained economist to apply one’s knowledge. Through this definition, we notice Bronfenbrenner’s appreciation for the neoclassical or Keynesian economist, leading a double life of academics and practicality.

Coupled with sectarianism was the apprenticeship system in Japan, or inbreeding. The idea of a professor arbitrarily choosing his successor among his students hindered the progress of economists during and after their education. By promoting this competition among students, the Japanese system limited the critical thinking skills of students, who never put theory into practice. According to Bronfenbrenner, this was the limiting factor in the production of “able” Japanese economists during the postwar period.

⁹ This was taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. It is a discourse titled “Whole Person Education and Equal Outcomes” written by Martin Bronfenbrenner.

Schizophrenia simply defined the “separation between on-campus thinking and off-campus thinking” (Bronfenbrenner, 1950, 137), the inability to properly intertwine theoretical economics with rational application. The feeble arsenal of Japanese-educated economists prepared for recovery clearly mired the process as a whole.

Bronfenbrenner’s impetus for aiding postwar recovery was rooted in his critique of the Japanese-trained economist. He assessed the Japanese economist as unable to plan an economic revival due to their superficial education in economics. Though some Japanese economists were trained in the US and Britain, Bronfenbrenner gave clear justification for the necessity of US intervention in the rebuilding of postwar Japan.

V. Bronfenbrenner’s Calculated Approach to Intervention

Despite Bronfenbrenner’s initial anxiety towards the preparation of Japanese economists for an imminent postwar recovery, Japanese economists still laid groundwork to implement their own economic prospects. The Economic Stabilization Board assembled Japan’s top economists, including the Marxists who objected to armed conflict in the first place, to try and restructure the broken economy.

The EPA, led by Marxist economist Hiromi Arisawa, prioritized the resurgence of the Japanese natural resource market, specifically coal mining, iron, and steel production (Ikeo 1990, 115). This emphasis on resources broke through the bottleneck in the postwar economy, and could not be sustained as the immediate postwar economy lay in shambles. However, a novel approach to economic revival came from a Japanese economist returning with a Ph.D. from Harvard.

Shigeto Tsuru played a key role in the transition towards US economic intervention. Returning from Harvard, Tsuru brought back not only an American economic perspective but

also a cosmopolitan attitude to Japanese economists. Joining the board along with electrical engineer Saburo Okita, Tsuru combated the initial Japanese approach through non-historical, non-Marxist analysis. Okita, who headed the Economic Commission for Asia and the Far East, proposed regional trade with Asian countries as well as the US (*loc. cit.*). The emergence of these two figures and their western thought process soon saw the demise of Marxist economic philosophies.

Arisawa's preliminary Marxist approach to repairing the economy was short-lived. In fact, the postwar Marxist economists proved a discombobulated unit. While some considered themselves reformists, who saw capitalism as "a precursor to socialism", others had separated into several sects since the interwar period. The group lost cohesion; economists, economic historians, and leaders of the labor movement wrote critically of one another and rarely met to overcome these differences. Between 1945 and 1950, several Marxist research affiliations, academic societies, and political factions appeared and disappeared (Ikeo 1990, 124).

The demise of the Marxist economist saw a rise in Keynesian economists. In fact, Isamu Yamada made the first econometric model of the Japanese economy in 1948, exemplifying the emergence of the Japanese neoclassical or Keynesian economist. As the Marxist groups diminished, the neoclassical economists formed the Japan Association of Economics and Econometrics in 1948 (Ikeo 1990, 126). Bronfenbrenner, a Keynesian himself, saw this drastic change as a major obstacle overcome in the recovery process.

Why did we cover the failures of the early Japanese economists' approach to postwar economic recovery? Without understanding the turbulence on the Japanese economic front, Bronfenbrenner's evaluation of traditional Japanese economic thinking could not be justified. Furthermore, with Marxist economic methods succumbing to the Keynesian principles of

economics, this period of time was a turning point. Japan was preparing for a newly restructured economy based on the Western principles of the US. The formation of the Japanese Association of Economics and Econometrics coupled with the dying Marxist philosophy fortified the neoclassical approach Japan was ready to take. This was conducive towards the imminent economic intervention by the US and Bronfenbrenner's methodologies.

VI. Prospects for Recovery of Japanese Economy

Even though Japan was in economic despair on top of all other problems it faced immediately after WWII, Martin Bronfenbrenner was one of the few people who looked at the situation with optimism. He witnessed the social pitfall Japan suffered with the bombings and his goal was to provide guidance through economic initiative. What exactly was the meaning of a Japanese recovery? To Bronfenbrenner it was fascinating that Japan even had the potential for a rebound. At a lecture in Pittsburgh in 1949 he reflected on his vision.

From Bronfenbrenner's perspective, Japan's recovery would be achieved if the nation returned to pre-war living standards, specifically during the 1930-1934 time frame (MBP 15, Postwar)¹⁰. For example, he suggested an income of about \$80 per capita per year, which was about 10 per cent of the US rate at the time. He also believed that there should be a similar reliance on food imports from lower-standard countries such as China, Burma, and Siam. Japan's agriculture sector was vital to the country's overall economic health as Bronfenbrenner urged for at least a 15 per cent increase in Japanese rice to be imported (*loc. cit.*). However, this did not mean that the general social structure should change. For example, there should be "no drastic reduction in population" in that the population should remain at 79 million as opposed to 66 million in 1934 (*loc. cit.*). Furthermore, the revival should not be more dependent on the

¹⁰ This section is taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. Specifically, this is taken from a lecture Bronfenbrenner gave at the Carnegie Mellon University in Pittsburgh, PA, titled, "Prospects for Recovery of Japanese Economy".

involvement of the United States than during the war (nearly \$400 million annually). We will see later that Bronfenbrenner conceded to the notion that a full recovery was nearly impossible without the aid of the US through the import-export markets.

If Japan were to return to its pre-war success, then it needed to act quickly.

Bronfenbrenner detailed three possible ways out of economic deterioration. First, through the idea of an autocratic government, the Japanese should drain swampy areas and shift to crops whose yield can be increased by modern machinery (*loc. cit.*). Moreover, luxuries should be exported for hard currency, in which the proceeds would be used for food. We notice that Bronfenbrenner maintained his position on the need for continued agricultural expansion, but now through more efficient mechanisms. Second, he proposed freer international trade (*loc. cit.*). Since Japan's "unfair" advantage was that it had lower wages, the markets for many Japanese exports would flourish due to a limitation by "low world incomes". But, how would Japan compete with other Asian countries with similar poverty? Wouldn't Japan engage in a price war with countries that also rely heavily on agriculture? Hence, Bronfenbrenner's third solution was to make Japan a "dumping ground for world's agriculture" (*loc. cit.*). Specifically, the weak government should not be resistant to a foreign effort to dump agricultural surpluses there. Through this approach, he anticipated a 5 per cent increase in productivity of Indian and Burmese agriculture, which he believed could have solved Japan's food problem.

Finally, Bronfenbrenner pointed to two alternatives to Japanese recovery. On one hand, through what he called the Malthusian Alternative, Japan should let its standards fall, which could result in a reduction in population (*loc. cit.*). In a rather sadistic way Bronfenbrenner suggested this would drive Japan to a state of communism. Through this change in political landscape, Japan would be more valuable to the Soviet Union, in part due to its military and

naval tradition, and therefore “should” receive enough aid to recuperate. On the other hand, through the Subsidization Alternative, Bronfenbrenner contended that if other nations continued subsidizing Japan, especially in food, then Japan will slowly clear its economic losses (*loc. cit.*). Over time the cost may be reduced if Japan’s capacity to pay for imports increases. However, this method would arouse opposition in other Asiatic countries, particularly the ones with lower standards than Japan. Nevertheless, Bronfenbrenner believed this was the most probable way out in the short run. His emphasis on agricultural growth resonated throughout his lecture in Pittsburgh as he believed Japan needed to go back to its roots in order to revitalize its dampened economy.

VII. The US Protectionist Attitude Towards Japan

Despite Bronfenbrenner’s views regarding prospects for Japanese economic recovery, he distinctly pointed to one major problem: the US economic sentiments towards Japan. Fostered primarily by the fear of rising unemployment as well as recession, the US protectionist attitude forced Bronfenbrenner to contest the generalized American protectionist view with his opinions on what could be more effective (MBP 15, Relations)¹¹. Postwar US economic sentiments sought to protect the US economy as opposed to promote a recovering Japanese economy. Thus, Bronfenbrenner was cynical, and even explicitly apologized to his Japanese audience of such an attitude impeding Japanese progress. His growing attachment to the revitalization of postwar Japan made him critical of American protectionist principles.

The innate fears of the US postwar led to resentment towards moving economic productivity to Japan. No one wanted to see the implementation of “cheap foreign labor” and outsourcing of jobs (*loc. cit.*). The idea was simple: capital should not be going abroad.

¹¹ This was taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. It refers to a speech given by Martin Bronfenbrenner in 1979 titled, “Recent Developments in Japanese-American Economic Relations”.

However, with the onset of US Occupation immediately after the war, these protectionist values would be tested.

The tail end of the war saw US Occupation in Japan grow, but racial tensions developed even more quickly. The general US protectionist outlook stemmed from an inherent racism towards the Japanese. Sincerely apologetic for such racism, Bronfenbrenner considered this sentiment a negative impression upon Japanese growth as Americans basically distrusted “the Orientals” (*loc. cit.*). Thus, a natural hatred and doubt lingered in postwar Japan that could curtail US aid towards Japanese progress. Bronfenbrenner distinctly pointed this out as a foundation for the protectionist outlook, as well as a rationale for a hindered Japanese revival. He apologized to the Japanese for such ignorance, but we see Bronfenbrenner’s motivation to fix Japan quickly, and his growing appreciation for their culture. We gather evidence of his commitment to prevent any burden to Japanese progress.

Despite US aid, American racial sentiments and outlooks on Japanese labor and wage only hindered Japanese progress. Bronfenbrenner kept his criticism of this concept straightforward: “American workers simply do not believe Japanese labor statistics” (*loc. cit.*). This startling statement seemed to offend Bronfenbrenner, who claimed it to be once again American ignorance. With this attitude, Americans demean Japanese productivity, which will obviously slow reconstruction of industry and the economy. Subsequently, the US faith in Japanese labor would definitely impede the restoration of industry, as Americans just did not see the potential in the Japanese. We notice Bronfenbrenner once again siding with the Japanese against such a closed-minded American outlook upon Japanese production. Such negativity could only hurt the progression.

By combining the racist outlooks of Americans with their perception of Japanese labor, we run into another major obstacle: “slave-driving”. Americans evinced a general superiority complex over the Japanese that, according to Bronfenbrenner, would devastate the aid towards Japan (MBP 14, Prospects)¹². Unfortunately, this natural inclination, born in the minds of the “young American worker”, would lead to authoritarian practices over the Japanese who at this point are totally dependent on international, and specifically, US aid. How can the US have such a mentality while trying to resurge a devastated country? This US mentality would ultimately establish American control over the Japanese would thus obstruct the path to Japanese economic independence.

If this superiority complex was not enough, Bronfenbrenner asserted that the American criticism of Japanese competition with the US was a major setback. Americans despised the “low tax tradition”, where Americans pay higher taxes by providing defense for Japan (*loc. cit.*). Though this put Americans at a disadvantage, Bronfenbrenner conceded this point as an inevitable bitterness towards Japan and its system. He objectively stated this reason for the general Japanese distrust. Only after rebuilding would these taxes change, so we perceive Bronfenbrenner’s subtle criticism of the American view of aid as reflective of their self-interests. Similarly, the Americans, according to Bronfenbrenner, viewed the corporate tax system negatively as it favored Japanese export industries, which competed with US exports (MPB 15, Relations). In this sense, Bronfenbrenner displayed another inevitable choice for a recovering Japanese economy, while the US executed its own motives despite providing “relief” for the Japanese economy.

¹² This is taken from the Martin Bronfenbrenner Papers in the Special Collection Library at Duke University. It specifically is from an address written by Komagu Ryaturo in 1958 titled, “Intensifying International Relationship between US and Japan”.

Bronfenbrenner warned the Japanese of slow progress with US involvement. However, exacerbating the US dislike of Japanese economic policy was their disapproval of the unfair treatment of US business abroad. Americans naturally saw arbitration such as the renegotiation of agreements between US and Japanese firms by the Japanese trade council as corrupt (*loc. cit.*). We find that Bronfenbrenner remained apathetic as US resentment in this case was justified by corruption in support of Japanese business. However, his goal in outlining American protectionist views was simply to inform the Japanese of the long road to progress, and he contested such an approach as detrimental to Japanese recovery.

We notice Bronfenbrenner's allegiance to the Japanese cause, and his staunch belief that Americans naturally put themselves ahead of aid. However, throughout his discourse, he uses sarcasm to prove whose side he took. To conclude his outline, he stated, "And so, for these reasons and possibly a good many more, Japanese are bad and untrustworthy people, against whom honest, decent Americans should protect themselves by all means. (*loc. cit.*)" Thus, we detect his approach to differentiate those resentments of which Americans are justified as opposed to those which are both flawed and selfish.

Bronfenbrenner flashed the warning signs of accepting US aid while also expecting economic recovery. He bluntly stated the general American resentment towards the Japanese that would hamper the Japanese economic recovery process. We identify his growing commitment to the Japanese as he educates them about the reality of forward progress with US support.

Although US aid would inevitably impede Japanese economic progress, the US Occupation itself would play a major role in Bronfenbrenner's analysis of the recovery in Japan.

How could Japan and the US possibly have a relationship conducive to Japanese economic revitalization? This led Bronfenbrenner to investigate the terms of US-Japanese relations.

VIII. US-Japan Economic Relations Post-WWII

The American protectionist attitude towards the Japanese makes it difficult to imagine how the two nations were able to engage in trade creation (MBP, 16, Trade creation)¹³. In a speech at the Milwaukee Federal Trade and Labor Council in January 1956, Martin Bronfenbrenner discussed American misconceptions of the Japanese as well as his view on US-Japanese trade relations.

Bronfenbrenner blamed the “trade-union” people for having the wrong impression about Japan and its trade problem. First, they believed that Japan was better off than before WWII (*loc. cit.*). While Japan did have many things that they did not have before, as Bronfenbrenner conceded, they lacked adequate food, clothing, and housing, as the gains were concentrated in country districts. Next, they believed that Japan needed exports in order to buy food, not because its people were too poor to buy their own products (*loc. cit.*). Bronfenbrenner stated that Japanese exports were heavily weighted with imported materials (as Japan normally imported ¼ of its food supply), which added to the difficulty of paying for imports. Finally, higher living standards would ease the Japanese trade problem (*loc. cit.*). In a passionate response, Bronfenbrenner countered by saying this would only increase the country’s food deficit. In addition, if Japan used the exports for domestic consumption to pay for the food deficit, it would “make matters worse instead of better”.

What would happen if Japan limited trade with the United States in response to the general hostility felt from American protectionists? Bronfenbrenner provided alternatives to

¹³ This was taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. This section discusses a speech Bronfenbrenner gave at the Milwaukee Federal Trade and Labor Council in 1956, titled, “Daniel in Lion’s Den”.

illustrate the impact it would have on the Japanese economy as well as to provide possible solutions to the problem. For example, Japan would have to finance its trade deficit by relief or military procurement, approaches similar to how it had to towards the war's end (*loc. cit.*). If this approach proved too risky, then Japan would be forced to trade more with Russia and China. Bronfenbrenner's idea is creative; however, he failed to recognize the convoluted political implications of engaging with Japan's two biggest competitors. On the other side of the spectrum, if Japan were not able to find an alternative to reduced trade with the United States, then it should expect a drastic fall in its standard of living. There would be implied propaganda consequences, as this would also cause danger to US troops and bases in Japan.

Thus far we show that Bronfenbrenner had a well-developed sense of balance among contending positions. His knack for being able to see all sides represented set himself apart from many other economists of his generation (Goodwin 1998, 1779). In essence, he assessed the US-Japanese relationship by attempting to find a compromise between the two sides. To end his speech, he addressed how the "coolie labor" theory was clouding American perception of the Japanese society (MBP 15, Postwar). This theory states that Japanese standards are so low that they do not foster fair trade between the two nations. However, according to Bronfenbrenner, Japanese standards were lower than those of the United States, but the difference was much less than Americans thought it was. Hence, he believed that the cutting of trade would have too adverse an effect for Japan to bear. Restricting trade with one of the world's biggest leaders could "put Japan out of jobs or lowering their standards—not raising them above their present level" (*loc. cit.*). Did this mean that Bronfenbrenner advocated free trade? On the contrary, he said that free trade would put too much burden on Japan's few prosperous industries. He promoted the idea of no increase in tariffs and no discrimination against Japan in favor of other

foreign suppliers. Bronfenbrenner's recommendations were very calculated and unbiased as he tried to find the best way for Japan to get back on its feet. His close ties to both nations motivated him to find the point of equilibrium to which both nations would be better off than before.

In his lecture on US-Japanese economic relations in March later that year, Martin Bronfenbrenner discussed how the economic affiliation had deteriorated since the end of the war.

Many Americans diagnose the difficulty moralistically—Japanese are ingrates. We gave them the mildest, most benevolent Occupation in history, we kept them from starving, and now they want to compete with us.

The Japanese diagnosis seems almost paranoid—U.S. is plotting to wreck the Japanese economy. Reduce Japan to a state of dependence on U.S. aid. Therefore force Japan to follow U.S. diplomatic and military policy. (MBP 16, US-Japan)

Bronfenbrenner labeled this act of dependency as dollar imperialism. He continued by stating that the four main economic issues that separate the United States and Japan are budgets, aid, trade, and taxes. He believed the budgetary issue centered on the Japanese-American Mutual Security Treaty of 1952, in which Japan allowed the United States forces to stay in Japan who then promised logistic support until Japan could defend itself (*loc. cit.*). The one catch was no provisions for withdrawal of US troops until the United States itself was satisfied with the extent of Japanese rearmament. Since the support of American forces cost Japan about 25-35% of its government budget, Bronfenbrenner suggested Japan denounce its treaty or refuse to provide further financial support (*loc. cit.*). This proposal was surprising since Bronfenbrenner sided with the Japanese. However, he also evaluated the situation from the American standpoint. If the United States got out under pressure then it would suffer from a loss of face. If the United States stayed even after Japan withdrew its invitation, then it would leave itself open to charges of imperialism and colonialism. Either way the United States would justifiably resented.

Bronfenbrenner felt that Japan should be treated with respect rather than be “ordered about as under the existing instrument” (*loc. cit.*).

Additionally, the economic issue of US aid to Japan troubled Bronfenbrenner. While the United States wanted the bulk of the aid dedicated to military industries and channeled to the most efficient producers of Japan, the Japanese wanted the aid to go directly to civilian industries and social welfare, and to be spread extensively among small firms. Conversely, Bronfenbrenner believed the real issue related to Japanese trade and labor and the effort of the Americans to control the Japanese industry in its entirety (*loc. cit.*). From a practical standpoint he believed the goals of the United States were one-sided. The civilian good would actually help the Japanese trade picture by providing exports and reducing the need for imports, whereas military goods would not. Also, the concentration of economic aid in a few efficient firms would “force competitors to either rationalize or get out of business”, causing the dismissal of excess workers (*loc. cit.*). Lastly, Bronfenbrenner said that a concentration of US aid in a few firms basically meant a concentration in firms with US private capital, or linked to companies under US control. To Bronfenbrenner, a US-based approach to aid would result in the buying up of the Japanese economy (*loc. cit.*).

The third issue of Japanese export trade irked Bronfenbrenner because he considered the Japanese trade problem as universally misunderstood in the United States (MBP 16, Trade US-Japan)¹⁴. For example, to Americans, Japan must export because its citizens were too poor to buy their own goods. Bronfenbrenner claimed that export is necessary because Japan must import 10-20% of its food, plus raw materials for all major imports (*loc. cit.*). Most Americans thought that raising the Japanese workers’ living standards would solve the trade problem.

¹⁴ This is taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. In particular, this is a lecture given by Bronfenbrenner in 1984 titled, “Trade Creation and Trade Diversion: Notes on the Free-Trade Area Case”. He gave this lecture during his time at the Aoyama Gakuin University in Tokyo, Japan.

Bronfenbrenner declared this assertion as far from the truth, because raising living standards would increase demand for imports and reduce the supply of exports. As an initial step to recovery through trade, he believed that the Japanese should have the right to trade with China and Russia on the same conditions as Britain and France, without the loss of US aid (*loc. cit.*). In fact, the Japanese should have safeguarded against higher US tariffs or restrictive US quotas on Japanese exports to the United States. However, Bronfenbrenner was irritated because he knew the United States would not agree to such ideas. In his words, the United States “won’t face problems of the chronic Japanese trade deficit...prefer to leave matters dangling, in hope some solution turns up” (*loc. cit.*). Bronfenbrenner went so far as to claim that the United States was subconsciously plotting to reduce Japan to complete dependence on US aid. Japan would not have the opportunity for export surplus through rice production because of such limitations from the United States.

His increased sympathy towards the Japanese is further reflected in his statement about the tax problem involving Americans in Japan. Bronfenbrenner found it unfair that Japanese in the United States had to pay US income taxes while foreigners in Japan had not paid Japanese income taxes since 1945. He proposed a re-instatement of the pre-war tax system in which rates should rise to the point where Japan was stable in its reconstruction and development efforts (*loc. cit.*).

To conclude his lecture, Bronfenbrenner admitted that he tried to be objective while evaluating the US-Japanese economic relations; however, he feared that he ended up on the Japanese side on each of the issues. “It seems to me that US economic policies toward Japan are playing into the hands of the anti-American movement in that country” (*loc. cit.*).

IX. Bronfenbrenner's Advocacy for a more Outspoken Japan

Though Martin Bronfenbrenner suggested several policy measures that Japan should implement in response to the conservative United States, most decisions were affected by social underpinnings (i.e. American misconceptions and unjustified biases). Would Japan be able to undergo complete cycles of reconstruction with lingering social stigmas? In a speech at the University of Minnesota in 1957, Bronfenbrenner evaluated current Japanese policy at the time from a purely economics perspective and suggested certain commodity changes that could help combat Japan's misfortunes (MBP 16, Trade)¹⁵.

Japan's goal from 1957 to 1962 was to increase its exports to the US by 80%, which Bronfenbrenner called "soft competition". This idea involved giving up price advantages, avoiding rapid increases in exports of single items, and emphasizing "quality and high-priced lines" and "non-competitive goods" (*loc. cit.*). Bronfenbrenner was in serious disagreement with this thought process, and was quick to undermine these attempts at recovery. As evidenced by Chinese Communist competition in Southeast Asia, Bronfenbrenner humorously explained "contrary to what business men sometimes like to believe, price *is* still important in foreign markets." Maybe even more importantly, Bronfenbrenner claimed that the Japanese were paying too little attention to the American consumer in terms of his wants and desires. In essence, there was an unsatisfactory relationship between government and business in that the Japanese consulates were just starting to help the businessmen understand foreign markets, including that of the US. This oblivious nature did not allow "Buy Japanese" campaigns to flourish and only bolstered the anti-Japanese "waruguchi", or slander (*loc. cit.*). Bronfenbrenner concluded that

¹⁵ This is taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. Specifically, this is primarily from a speech titled, "Japanese-American Trade- An Academic Economist's View" by Martin Bronfenbrenner in 1957.

such a version of ignorance can result in American competitors taking advantage of the defenseless Japanese by willfully imposing high tariffs and quotas.

Bronfenbrenner's peers admired him because of his ability to observe with a critical eye and make insightful recommendations for large-scale problems. Likewise, Bronfenbrenner provided four alternative policy recommendations that he believed could steer Japan in the right direction, a direction that would be more appealing to the US. First, like China, Japan should compete on a price basis such that high-priced lines are increased or kept up to show that Japanese goods are not shoddy, which Bronfenbrenner termed "kokyuhia as well as fukyuhim" (*loc. cit.*). On the other hand, he suggested that more effort to raise the quality should be put into the low-priced lines because these are the goods that American companies immediately write off without proper consideration.

Second, the Japanese government should help start a big "Buy Japanese" campaign, using all forms of media communication, to advertise Japan as the US consumer's friend in the fight against inflation. Bronfenbrenner noted that a large part of the campaign should focus on stressing Japanese imports from the US and valuing the worth of the Japanese market to US localities such as cotton and coal. This might suggest that restrictions on Japanese exports to the US would divert Japanese purchases to other countries. In order for the campaign to be successful, Bronfenbrenner firmly stated that several industries have to work together alongside the support of the government to fuel such a monumental effort. However, two obstacles that Bronfenbrenner admitted the Japanese would face are explaining "coolie labor", as previously mentioned, and Japanese "pirating" (MBP 16, Welfare)¹⁶. The former should be used to illustrate how important the fringe benefits of Japanese labor are. In the same tone, the latter

¹⁶ This is taken from the Martin Bronfenbrenner Papers at Special Collections Library at Duke University. In particular, this is from a speech Bronfenbrenner gave in 1969 to the Federal Reserve Bank of Chicago titled, "Introduction to the Japanese Banking System".

should be used to convey how narrow of an act piracy is and that strong regulatory efforts are in effect to stop it. If these two concerns can be addressed, Japan would have a good chance at a successful campaign. Bronfenbrenner did admit that the Japanese were doing a good job to avoid antagonizing US competitors without support, but he said that the ability to use US consumer support and public opinion would help fight against the tariffs and quotas, as mentioned before, and avoid an inevitable fight in the long run.

Bronfenbrenner believed that the government should further expand commercial outreach efforts in Japanese embassies and consulates. In other words, high-ranking Japanese organizations should guide businessmen to determine what “Americans are buying, what prices they are paying, and what dissatisfaction is being expressed by consumer organizations”.

Last, which can be contended to be the most important, is to subsidize low-cost tourist travel to Japan. Simply put, cheap plane and ship tickets would allow Japan to compete with places that are closer to America, such as West Indies, Latin America, and Europe. In order to do this, though, Japan must break out of international agreements on sea and air fares as they “operate to freeze your disadvantage of distance”. Similarly, the Japanese should advertise cheap Japanese-style hotel accommodations for the ordinary tourist and “palaces for the millionaires”. Like Great Britain, Japan needs to stress the numerous bargains Americans can find in the country such as lower tariffs and prices for services such as medical and dental. In sum, the objective of such low-cost services is to build up good-will among tourists so that they not only return in the future but also join in the advocacy for lower tariffs against Japanese goods.

Bronfenbrenner's speech seemed to be a bit more serious than his traditionally humorous ones, but as usual, he did not fail to show off his light-hearted attitude in the end. He sarcastically concluded by saying:

I hope some of these suggestions are of use to you as businessmen, but my main interest is in you as voters. I wish I could have spoken more specifically than I have about products made in this area, but unfortunately I am only a poor college teacher with little business experience, and my knowledge of these special commodity problems is almost non-existent. (MBP 16, Trade)

His speech on Japanese-American trade as a fallout of Japanese economic policy gives us only a glimpse into the measures taken in the reconstruction efforts. Bronfenbrenner's investigation of the yen-dollar relationship during US Occupation will clarify the impact of American intervention from a more holistic sense.

X. Bronfenbrenner on US Occupation through Yen Evaluation

While it may seem that Martin Bronfenbrenner was on the Japanese side of the US-Japan spectrum, such a speech at the Milwaukee Federal Trade and Labor Council, for example, may not have depicted his views accurately. One of his major contributions to US-Japanese trade relations was his evaluation of the Japanese yen versus the US dollar. His analysis depicted the economic relationship of the two nations through currency fluctuations. In a testimony before the Subcommittee on International Exchange and Payments in Washington, D.C. in 1971, Bronfenbrenner discussed 5 major issues that he felt needed to be addressed between the US and Japan in economic matters (MBP 15, Relations)¹⁷. He prefaced his discussion by saying his Japanese audience will regard his testimony as unreasonably pro-American, while his American followers will think of it as unreasonably pro-Japanese. Either way, it will be interesting to

¹⁷ This is taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. This is a testimony Bronfenbrenner gave before US Congress in 1971.

observe where he was positioned on the spectrum at the end of his speech through his fascinating approach to the currency debate.

We will briefly mention the first four issues as they give a proper foundation to Bronfenbrenner's main issue of yen evaluation. To begin, immediately after the Second World War and during the late 1960s, there were numerous export and import quotas limiting Japanese exports to the United States. Bronfenbrenner believed that not only were they a mistake in the first place and should be promptly removed, he also urged that no new ones be imposed (*loc. cit.*). Symmetrically, his second issue regarded Japanese limitations on the imports of US goods. In this case Bronfenbrenner attacked the Japanese by saying that Japanese tariffs should be lowered and Japanese non-tariff hindrances, such as administrative hindrances, should be simply removed altogether (*loc. cit.*). Thus, we clearly see why both American and Japanese supporters would be disturbed by Bronfenbrenner's bipartisan opinions.

Bronfenbrenner's dealt with the US charges of "dumping" against Japanese exporters. He responded, "most of these charges cannot be supported and should be dropped" (*loc. cit.*). Conversely, the fourth issue of Japanese restrictions on the movements of US capital into Japan brought similar distaste to Bronfenbrenner. He took the "libertarian line, and proposed that US direct investment, including the establishment of wholly-owned subsidiaries and the purchase of control over existing Japanese companies, should be permitted by Japan" (*loc. cit.*). Again, this is not to say that Bronfenbrenner was a proponent of free market economics, but it seems fair to say he believed in market liberalization in bettering the Japanese economy. So, Bronfenbrenner happened to stay relatively neutral thus far, but it can be argued that he would have liked to see Japan ease its socialist attitude and continue to progress democratically.

Let us get to what Bronfenbrenner thought was the best measure of US-Japanese economic relations: the yen-dollar exchange rate (*loc. cit.*). The yen-dollar exchange rate encompassed the important currency effects of the US-Japanese economic relations. By the end of WWII, the remains of the Japanese empire were hit by shortages, inflation, and currency devaluation (*loc. cit.*). Industrial production ceased as the war brought the Japanese economy to a standstill. But, by the mid-1960s the economy, released from the demands of a military-dominated government, recovered its lost momentum and even surpassed the growth rates of earlier periods (*loc. cit.*). Nonetheless, Bronfenbrenner feared the stability of the yen. To him, there was “no assurance that the proper level of today would be the proper level of tomorrow” (*loc. cit.*). So, was it important that Japan revalued the yen? What would be the response of the United States to an undervalued yen? While Bronfenbrenner wanted Japan to revalue its currency, he was afraid that Japan would not do so in the near future. In essence, he believed that Japan had no incentive as it was “perfectly comfortable with surpluses of both trade and payments” (*loc. cit.*). Japan was not accumulating dollars because the Bank of Japan did not allow the yen to be exported, and it refused to sell yen to foreigners for what they considered “hot money”. As an example, Bronfenbrenner said:

To illustrate, I have no trouble managing a couple of small bank accounts which I have in Japan, but if I suddenly tried to build up my yen balances to, say, a thousand times their present size, I should expect questions to be raised before I could get the yen equivalence of my dollars. (*loc. cit.*)

Bronfenbrenner concluded by saying that little “hot money” had made its way into Japan.

Bronfenbrenner discussed the implications of revaluating the yen. For example, influential groups such as Japanese exporters would be hurt as they already worried about tighter

export quotas in the US market (MBP 14, Occupation)¹⁸. The changing yen would be detrimental to Japanese creditors who were owed billions of dollars in debt by foreign purchasers. Moreover, since the dollar was an international currency (while the yen, at the time, was not), the debts were denominated in US dollars. Even more disheartening was that the dollar contracts did not include “yen clauses to protect Japanese creditors against either yen revaluation or dollar devaluation” (*loc. cit.*). Hence, Bronfenbrenner only supported a yen revaluation if Japan’s trade and payment surpluses reduced and if its reserves became excessive.

Subsequently, what should the United States do *if* Japan faced a “falling trade balance occasionally turning negative, and an almost structurally negative balance of payments”? Bronfenbrenner urged first and foremost that if this somehow happened, the United States needed to act maturely. In other words, the world leader should not impose discriminatory duties against Japanese imports (which would force Japan to accept the US view on yen revaluation). Bronfenbrenner went so far as to say that such taxation would “constitute unreasonable interference in the internal affairs of Japan, and would set off economic warfare with our major remaining Asian ally” (*loc. cit.*).

Instead, he proposed what he called *sweetened* dollar devaluation (*loc. cit.*). In this method, Bronfenbrenner advised to float the dollar, specifically, to stop official efforts to avoid rises in foreign exchange rates. Furthermore, he suggested limiting the assurance of foreign governments and central banks against the decline in the dollar exchange rate, particularly, “to the dollar volumes they hold as of some critical date” (*loc. cit.*). Finally, Bronfenbrenner focused on the dollar’s relationship to the commodity markets. He said that the dollar should be cut somewhat further from gold, which would end the United States’ compulsion to buy and sell

¹⁸ This is taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. This is a journal article Bronfenbrenner published titled, “Thoughts on the Yen-Dollar Exchange Rate”.

gold at any fixed price (at the time it was \$35.00 p/oz.). In the short-run, Bronfenbrenner believed the price of gold would rise because of a weaker dollar, while in the long-run, he predicted a fall due to an apparent weakening of the gold standard since the United States would refuse to sell dollars for gold (*loc. cit.*).

To conclude his convoluted address before US Congress, he showcased his humorous attitude and keen interest in the discussed subject matter. “Although I held many of these ideas five or even ten years ago, I should have hesitated to introduce them into congressional testimony for fear of the *crackpot* label, although similar views are not particularly *heretical* or *advanced* in academic circles” (*loc. cit.*). Throughout his testimony Bronfenbrenner evoked sarcasm and subtle frustration towards US policy in the international landscape. While he did criticize both American and Japanese standpoints in relation to trade relations, it was fairly obvious that he suggested corrections to US policy that would, in turn, aid the Japanese economic recovery. Finally, while it may be unreasonable to say Bronfenbrenner was completely in favor of Japan, it is fair to finalize that he was somewhere on the Japanese side of the spectrum. The US position detracted from the standpoint of free trade and economic welfare for the Japanese.

XI. Bronfenbrenner’s Four Periods of Japanese Revitalization

Martin Bronfenbrenner, though he never explicitly stated so, supported Japanese free trade over the US political viewpoint. We notice through his criticism of US-Japanese trade relations, in which he was cynical of US motives, that he was not the most avid patriot of such a connection. His analysis of the relationship between the yen and the dollar, though a bit more complex, still showed he was somewhat Japanese at heart. However, looking at the postwar recovery from a broader perspective, Bronfenbrenner analyzed and divided the effort into four

distinct periods of focus: the Reform Period (August 1945-February 1947), Reverse Course Period (February 1947-December 1948), Dodge Line Period (December 1948-June 1950), and Korean War Period (June 1950-April 1952). The key figure from the time of Occupation was General MacArthur, also known by his title as Supreme Commander for the Allied Powers, or SCAP (MBP 16, Occupation). Bronfenbrenner analyzed the changes in approach to reform and recovery during each period, especially on the differing SCAP policies throughout the US Occupation.

The immediate goal of the US Occupation of Japan from 1945 was the rebuilding of an entire nation, with the creation of a new democratic state in mind. The United States became a vital part to the resurgence of Japan, involving itself in many of Japan's economic sectors. In fact, the total US monetary contribution to Japan throughout the Occupation was estimated to be \$1.9 billion, divided among many different forms of aid, including 59% in food, 15% in industry, and 12% in transportation (*loc. cit.*). The resurgence of the economy was rooted in the principles of increasing competition and the creation of a free market. Thus, Bronfenbrenner emphasized reforms in areas such as land ownership and the revitalization of industry through proper postwar management. However, foreign trade was also crucial; exports helped offset the debt incurred from importing such technology and industrial materials (*loc. cit.*). How would the reforms vary during specific time periods, pending changing circumstances? Martin Bronfenbrenner zoomed in on such developments chronologically, beginning first with what he called the Reform Period.

The Reform Period combined a series of measures that focused purely on "economic democratization" (MBP 15, Postwar). Would the US even agree to accept the responsibility of revamping another country in economic turmoil? Bronfenbrenner once again sarcastically alluded to the inherent selfish nature of the US in such decisions. Were the US to involve itself

and fail to succeed, the whole world would be critical of its motives. Thus, the US put pressure on General McArthur for a successful turnout, or his resignation upon return.

What sectors of the economy required the most change? The major reforms involved in the SCAP “economic democratization” of Japan in the Reform Period were simple: agriculture, labor, and industry. Bronfenbrenner considered other aid to be less important immediately, as the war destroyed Japan’s output and production. In the agriculture sector, Bronfenbrenner stressed the importance of land reform and encouraged farmer cooperatives. The land reform looked to promote an increase in agricultural competition, and the cooperatives ensured agricultural production remained at steady levels (*loc. cit.*). Again, he remained blunt; to avoid massive famine, these ideas must be promoted. With regards to labor, the Japanese Empire model reflected no real incentive to be a Japanese laborer. Through the legalization of trade unions and the passing of labor standards, Bronfenbrenner urged the assembly of the necessary Japanese workforce for revival. As for industry, an anti-monopoly sentiment needed to prevail, and industrial conglomerates needed to be scrapped. The idea of competition was minimal under the Japanese empire, and Bronfenbrenner recognized this concentration of economic power as the major setback to the transition towards a free market system (MBP 15, Occupation). Initially fearful of what US Occupation would mean towards Japan, Bronfenbrenner conceded the necessity of the US support through generally democratic reforms in the initial resurgence of the economy. In one sense, we see Bronfenbrenner less critical of the US approach to reform than the US perspective as a whole. On the other hand, he concentrated more closely on what US actions pushed Japan toward a more solid economic foundation in the early postwar stages of the Reform Period.

The immediate injection of aid was unavoidable. The US saw the necessity of providing food and coal at the least. Bronfenbrenner attacked this naïve approach and emphasized that industry was almost unsalvageable. The US soon revised the original plan, bringing in industrial raw materials, and even compensating for Japan's total imports at least until 1949 (*loc. cit.*). The general lack of coal and steel left the question of fueling alternatives for industry. Mining coal itself required an unfortunate production circle. However, Bronfenbrenner commended the US decision to provide petroleum as industrial fuel; he explicitly stated this as a sign of progress and encouragement of rapid revitalization of Japanese industry. The reorganization of all industry would also require a dismantling of the previous Japanese industrial hierarchy, whom the American businessman viewed as "over and above the ordinary obedience to legitimate orders from higher authority" (*loc. cit.*). Thus, SCAP discharged the "older men of ability and experience," replacing them with the active youth who would adapt to new economic conditions. But, would the purging of former bank managers and assistant vice presidents be a cause for concern? It resulted in official reinstatement of 200,000 of the "purgees" by the end of Occupation. Though Bronfenbrenner mockingly responded with "even had the [American] alarmist views been more correct than they ever were", he admitted that the effect of the purge was minimal (*loc. cit.*). We notice his slight agreement with American approaches, but he feared "what might result from a longer purgation period, brought on (say) by SCAP's refusal to depurge" (*loc. cit.*). Once again, we underscore his inherent fear of complete American control over the Japanese. Thus, the revival of industry not only required a complete turnaround driven by a replacement of the old systems, but it also needed to combat the immediate postwar inflation.

Japan experienced the unfortunate reality of an accelerating inflation immediately after the war. The immediate SCAP response to this was the issuing of a “new yen”, invalidating all pre-1946 currency, and issuing new notes yen for yen, though this was limited. Bronfenbrenner witnessed the decline in circulation of currency by 75.4% as a positive action, which did in fact check the inflation temporarily. Simultaneously, the Japanese government had printed currency to create a budgetary deficit, as well as credit for the Bank of Japan (US-Japan Trade Council 1973, unpaginated). Bronfenbrenner saw this printing of currency, to restore the level by September of 1946, as the impetus for SCAP assumption over the Japanese macro-economy. SCAP policy needed to combat the inflation that rose primarily from the Bank of Japan’s issuing of notes.

Aware of the difficulty in the transition from the wartime system, Bronfenbrenner found the new recovery system caused much of the inflation incurred at the end of the war. He blamed the Japanese government for the blunders of incurring wartime expenses, which they financed by merely “overusing the Japanese printing press” before US Occupation (MBP 15, Occupation). Furthermore, the Japanese banking system granted enormous loans to banks in the old conglomerate system. Forcing depositors into preferring to hold their own cash, the bank used credit creation to compensate for loss of depositors, but failed to monetize these credits (US-Japan Trade Council 1973, unpaginated). Bronfenbrenner made the Japanese government the scapegoat for the near collapse of the banking system, and we clearly exemplify his strong American outlook upon the macro-economy growing stronger.

With the number of Bank of Japan notes increasing 2.1 times in 1947 than at the end of the war, prices 2.6 times higher, and government expenditure 2.7 times the previous 4-month expenditure from the end of the war, the SCAP “new yen” obviously could not combat the

inflation (MBP 14, Occupation). The Japanese employed a new philosophy to combat the inflation. This question of “recovery first” versus “stability first” bothered Bronfenbrenner, who was awed by the Japanese disregard for accelerating inflation if production, unemployment, and growth were being alleviated (MBP 15, Postwar). This preference compensates for inflation by simply making more money and credit. Putting it in laymen’s terms, Bronfenbrenner called this “throwing money at problems” (MBP 15, Occupation). We should note Bronfenbrenner’s criticism of a solely microeconomic outlook on an entire economy. He severely disapproved of the Japanese government “recovery first” method.

The inability to contest accelerating inflation, along with the revitalization of industry, proved to be Bronfenbrenner’s main arguments during the Reform Period, which set the foundation for goals until the end of US Occupation. The industrial production ended up requiring more imports and raw materials through US aid, while the Japanese implemented heavier production and employment reforms over the issue of accelerating inflation. In addition, Japan’s international role had diminished postwar, forcing it to rely on domestic production, coupled with generous aid. Bronfenbrenner pointed to the Table of Japanese Subsidies and Loan Priorities in 1946, when all priority was given to coal and foods, the immediate necessities (*loc. cit.*). However, the priorities would change in the following periods.

Bronfenbrenner introduced the pivotal Reverse Course Period in February 1947, when the government workers struck, backed by a united force of worker’s unions. Yet, SCAP forbid the strike from occurring, fearful of its impact on economic recovery (MBP 14, Occupation). The US feared the strike had political base representing the old regime, and while the unions yielded to the SCAP order, a significant battle ensued between SCAP and the “Japanese Left”, a representation of the Socialist and Communist parties and their associated trade and labor unions.

In response to this feud, Bronfenbrenner emphasized the heavy anti-communism sentiment growing in the SCAP as the instigator for the ongoing battle that would outlive the Occupation (MBP 15, Occupation). Though he was critical of both sides contributing to this fire, we point out Bronfenbrenner's disdain for such a perpetual hate being an overall hindrance to the recovery process. Despite the "strike" situation and the ensuing SCAP-Japanese Left battle, the production front had improved since the Reform Period.

With the partial revival of Japanese production, stemming from the "recovery first" approach, commercial trade became a point of concern. SCAP assumed complete authority over trade policies, since the Japanese yen was not considered an international currency. SCAP covered for imports with dollars, and required licenses for only the essential imports (MBP 15, Relations). On the other hand, Bronfenbrenner stressed the necessity for the Japanese export market to grow. Though SCAP supervised such actions, and controlled the trade of essential goods, Bronfenbrenner was skeptical of the situation regarding the currency. The resulting multi-rate system saw the foreigners paying for exports in dollars, the Japanese exporters receiving yen, and the yen-dollar rate creating a per export class. He scrutinized this authoritarian practice of SCAP as both lagging the power of the yen behind the growing inflation and devaluing private enterprise in Japan (MBP 15, Relations). We clearly find Bronfenbrenner taking a stab at the US hypocrisy, to demote free trade despite their support in certain trade aspects. The battle with inflation, however, would accompany the trade changes seen in the Reverse Course Period.

By the end of fall 1948, Bronfenbrenner noted three specific conditions that battled the inflation seen in the Reform Period. The first circumstance remained purely political; the Japanese general election allowed the conservative leader Shigeru to return to power, who

brought with him an “unusually capable” Finance Minister Hayato (MBP 15, Occupation). With this, Bronfenbrenner’s criticism of the Japanese government subsided, as a new government brought and accepted new ideas. The second situation, on the other hand, builds on the growing power of the SCAP during the inflation period. The SCAP did not just request, but ordered the Japanese government to specific disinflation program, in which the measures taken would be blamed on US Occupation to avoid Japanese political protest (*loc. cit.*). We uncover once again the continued skepticism Bronfenbrenner expressed of US Occupation as SCAP used the new conservative government as a figurehead to implement policy. We observe, as does Bronfenbrenner, the goal of Japanese economic independence becoming more distant. Luckily, the US made a positive decision to entrust a scholar with the power to completely change the disposition of Japanese economics.

Bronfenbrenner saw the hiring of Joseph M. Dodge of the Detroit Bank as Director of Finance for the SCAP to be the most positive adjustment made against inflation (*loc. cit.*). Through his support of free market economics, private enterprise, lower taxes, balanced budget, and money regulation, Bronfenbrenner viewed him as a savior in the recovery effort. Commenting on Dodge’s previous success in currency reform, Bronfenbrenner stated that it “sharply contrasted the SCAP’s ‘new yen’ failure of 1946” (MBP 15, Postwar). We notice the overlap between what Bronfenbrenner urged and what Dodge would bring to the table in the following period, the “Dodge Line” Period.

The Dodge Line Period stemmed from the Dodge Program first implemented in the US, and transferred through the SCAP to the new Japanese government (MBP 15, Occupation). Coupled with the transition to a new conservative Japanese government, the Dodge Line Period succeeded in many aspects.

First and foremost, Bronfenbrenner applauded the establishment of a fully balanced national budget. In fact, he hailed this as the “first major breakthrough” in the Dodge Line period as well as the overall recovery. Negating such a breakthrough was the continued control of funds by the SCAP, specifically a “counterpart fund” resulting from the income received by selling US-purchased Japanese imports (*loc. cit.*). What impact would this control over Japanese governmental use of these funds have on the economy, but more so on the relationship between SCAP and the Japanese? Bronfenbrenner was divided; the SCAP control of Japanese use of these funds would promote anti-inflation as money supply would be controlled, but the grip of SCAP around the Japanese remained tight. Thus, we discover that Bronfenbrenner was actually torn between sides as he urged Japanese independence but combated the inflation with SCAP oversight. And finally, to fix the yen-dollar exchange rate, a unified rate had been established (*loc. cit.*). Bronfenbrenner viewed this as a major obstacle overcome; a rate that was uncontrollable, or “controlled too much”, finally became standardized. Though this rate proved to be undervalued at 1960, it was worthy of Bronfenbrenner’s compliments at the time.

These reforms took the whole 2 years to implement and succeed, but Bronfenbrenner claimed a longer US Occupation would have only helped execute the Dodge tactics more fully. As we have followed throughout his oversight of US Occupation, Bronfenbrenner was clearly ambivalent towards SCAP policy, divided between his American upbringing and his passion for the Japanese.

The end of the Dodge Line Period witnessed the event of Finance Director Ikeda urging Japanese economists to loosen the grip of General MacArthur, which reintroduced the tensions seen earlier between the old Japanese government and SCAP. Despite the reforms, which

pushed the economy in a more positive direction, Bronfenbrenner was afraid that the onset of the Korean War Period in 1950 would leave the Japanese economy at a standstill.

The Korean War caught both Japan and SCAP by surprise. What impact did the war have on Japanese independence? The war actually proved to be somewhat positive for the Japanese, as the unprepared SCAP lost much of its power it held in the past five years. Bronfenbrenner, though the idea of war would negate a rebuilding economy, finally saw some Japanese independence as a result of US Occupation. As a result, the modifications made during the Dodge period remained. Another success was that despite war, US aid decreased, more justification of the lessened US dependence Bronfenbrenner had hoped for (MBP 15, Relations).

While the Japanese gained more independence, commercial trade proved to be the most vital factor in the Japanese revival during the Korean War. In fact, Bronfenbrenner was astonished as the first six months of the Korean War had Japanese exports “1.5 times as large as the preceding half year, and total exports mounting in a year to over \$3 billion” (Kaplan 1979, 4-10). Assessing the rise in exports, Bronfenbrenner was speechless. The transition from SCAP governed policy to both a decline in US aid and a rise in exports left Bronfenbrenner praising the success of the Dodge Line Period. Even with the outbreak of another war, Japan slowly but surely moved towards economic independence.

The US Occupation as a whole had two major players: proponents and opponents of the SCAP policy. Bronfenbrenner evaluated this division as unavoidable, since the many alternative policies could not be compared. Japan would have been left to an inevitable fate without the US in the Reform and Reverse Course periods, the earlier periods that set the tone for the recovery process. But, Bronfenbrenner also found Japan to be unlucky during Occupation as the US envisioned harsher Occupation policies, such as reduced aid and a heavier purgation of Japanese

leaders for longer time. Nonetheless, we finally detect closure to his ambivalence of US Occupation; it was necessary, since it was the best available option.

In essence, Bronfenbrenner analyzed the potential arguments against SCAP. Could Japan have run its own economy without US Occupation? Could the length of US Occupation have decreased? Bronfenbrenner's answer was simple: No. Japan looked better in 1952 than most of the world had anticipated.

XII. Bronfenbrenner's Reflections on US Occupation

As previously noted, the American Occupation of Japan was, in retrospect, an endeavor of economic reconstruction. To Martin Bronfenbrenner, the Occupation focused on the "reversal of the development check imposed by domestic war damage, plus the loss of monopoly privileges in the import markets for finished good and the export markets for raw materials...which had been Japan's overseas Empire" (MBP 16, US-Japan)¹⁹. Japanese self-confidence revived within a few years through the realization that no wholesale destruction or complete collapse of Japanese industry was apparent. Bronfenbrenner emphasized his title as an "ex-Occupationnaire" and even much after the Occupation period struggled to remain neutral on the subject. He tried to rationalize by saying:

Fortunately, my two biases pull me in opposite directions. On the one hand, the Occupation gave me (at the expense of the poverty-stricken Japanese) a higher standard of living than I even enjoyed before, and possibly since. But then, after a year of unearned increment, the Occupation nearly expelled me from Japan, branded as a subversive or pro-Communist. And so, you see, I can be more or less 'objective' about it. (*loc. cit.*)

Bronfenbrenner seemed to be playing a game of tug-of-war internally as he recognized that General McArthur did accomplish quite a bit until he was ousted in 1951 despite the numerous

¹⁹ This is taken from the Martin Bronfenbrenner Papers in the Special Collections Library at Duke University. Specifically, this is taken from a paper Martin Bronfenbrenner wrote in 1968 during his position at Carnegie-Mellon University titled, "Economic Aspects of the US Occupation of Japan".

shortfalls. He was disturbed that the Occupation did not receive enough credit from a historical perspective. He did admit that the Korean War post-Occupation was integral in Japan's recovery but he strongly backed his belief that the Occupation itself set a powerful precedent and an instrumental foundation.

Even though Bronfenbrenner took much pride in his role during the Occupation, he acknowledged that the "harshness in judging the Occupation has been bedazzlement with its ostensibly unlimited power to 'roll up its sleeves and make Japan over', and forgetfulness of the handicaps under the dictatorial surface" (*loc. cit.*). In his paper titled, "Economic Aspects of the US Occupation of Japan," he looked deeply into the handicaps, successes, and failures of the Occupation.

To begin, Bronfenbrenner denoted brevity as the Occupation's most important handicap. Lasting until 1952, or less than seven years, the Occupation led to passive resistance and a sort of "waiting it out" mentality from the Japanese side. On the other hand, the Americans had hoped to be in the country for a maximum of four years and therefore instigated "ramming reforms down Japanese throats in a race against time, without regard for Japanese opinion" (MBP 15, Productivity)²⁰. Personnel inadequacies also handicapped the Occupation's flow as most of the working staff was placed in jobs without having a background in Japanese language, culture, or institutions. Furthermore, the civilian working staff included too few people for certain assigned jobs, and these few tended to be overly concentrated in Tokyo. Fundamentally, the working staff, including even the top-ranking civilians in the military, did not have strong footholds in Japanese soil and statically "acted as advocates or yes-men rather than intellects of consciences". Other handicaps that were notable included the change of American policy toward East Asia

²⁰ This is taken from the Martin Bronfenbrenner Papers at the Special Collections Library at Duke University. In particular, this is from an essay Bronfenbrenner wrote in 1960 titled, "Towards a Japanese Gaullism?"

directly influencing the Occupation, constant suspicion from business circles in the US, suspicion by Japanese conservatives who did not want to be America's guinea pigs, and the weakness of coordination amongst financial divisions. While these are significant handicaps that may have thwarted the Occupation's forward progress, we believe that the longevity of the Occupation and the personnel inadequacies were the biggest hindrances that needed to be addressed.

In regards to the successes and failures of the Occupation, Bronfenbrenner stated:

My thesis is that the successes did not require the co-operation of many Japanese, other than their immediate beneficiaries, and therefore lay within the Occupation's power. When we come to the failures, I shall argue, more general Japanese co-operation would have been required, but was not achieved. (MBP 16, US-Japan)

According to Bronfenbrenner, the Occupation had three main positive outcomes: the relief and rehabilitation program, the agricultural land reform, and the control of American "carpetbaggers". The relief and rehabilitation program was one of the longest lasting and most expensive programs, costing over \$2 billion in aid alone during the Occupation. Nonetheless, it was considered the most effective program because it helped reduce epidemic disease, starvation, and civil disturbance, and even assisted in the repatriation of 6 million refugees. Simultaneously, the program began the modernization of Japanese manufacturing on its industrial front. Even though critics favor the Korean War as the beginning of Japanese recovery, Japan's Asian counterparts did not share the sentiment. In fact, countries such as Korea, Taiwan, the Philippines, and even China were very jealous of American industrial assistance to Japan since they were never aided to any proportionate degree.

Secondly, Bronfenbrenner thought that the agricultural land reform, in which SCAP reallocated 38 percent of Japan's farming land from landlords to tenants, was a success mainly

because of its political implications. In particular, the land reform raised peasant living standards in both absolute terms and relative to city occupants. In turn, this gave more power to the countryside to form a strong “political base for anti-Socialist parties and against any proposal for agricultural collectivism”. Even though Bronfenbrenner believed the reform was successful mostly because of its political underpinnings, it should be noted that it worked because it was carried on without reducing Japanese agricultural productivity (MBP 15, Productivity). Markedly, the steady increase in postwar productivity was the main factor maintaining Japan’s staple food import percentage to its prewar level despite a 30 percent rise in population (*loc. cit.*). Thus, while we should give a majority of the credit to the land reform for its ability to reduce societal inequalities, we should also recognize the establishments that were maintained despite such turbulent times.

Lastly, Bronfenbrenner was proud of the economic success of the anti-carpetbagger program during the Occupation. In other words, there was success in preventing carpetbaggers from acquiring property of business connections cheaply by force or fraud. Initially, Bronfenbrenner exclaimed, “I was myself assured time after time...that this or that factory, dockyard, department store...was already owned by some American or some American company” (MBP 16, US-Japan). However, SCAP acted quickly and effectively in means other than criminal prosecution except in flagrant cases. The method that worked perfectly was exchange control, under which the proceeds from the sale of Japanese property could not legally be taken out of Japan. That is to say, a very small portion of capital wealth from Japanese land property found its way into American hands.

On the contrary, Bronfenbrenner identified three Occupation failures that occurred in fields where “Japanese interests adversely affected could outsmart the excessively-mobile

Occupation personnel or wait for the restoration of Japanese independence” (*loc. cit.*). Foremost, Bronfenbrenner deemed Japanese inflation from 1945-1949 as the first economic failure.

Although the Occupation never possessed the attributes of hyperinflation, “the index of Japanese wholesale prices rose from 350 in 1945 to 20,876 in 1949, with 1934-36 as 100”. This can be explained by the excessive strain that the Occupation imposed on the fiscal system of Japan; particularly, the strain came from the American insistence on getting things done quickly before the Occupation ended, with no regard for real or monetary cost. Furthermore, there was absolutely no control over the volume of currency printed and bank deposits created in order to support both the government and private firm deficits. Bronfenbrenner argued that this should not have really surprised anyone since the late forties was the most extreme period of Keynesian doctrine, in which “the quantity of money did not really matter”. Additionally, big business, or *Zaibatsu*, firms who had war contracts with the Japanese government reinforced the inflation. Simply put, there was no flexibility from either the war contractors or banking affiliates to let inflation forgive their debts even though the Occupation had cancelled the Japanese government’s unpaid debts.

Similarly, Bronfenbrenner claimed that the campaign against the *Zaibatsu* was “a dissolution program whose ultimate failure was as resounding as the postwar inflation itself”. It did not properly punish those companies profiting from Japanese militarism, and it did not live up to the expectations the Occupation had to rebuild Japanese capitalism close to the pure competition model. However, Bronfenbrenner blamed a lack of Japanese support for the failure of the program. The problem was that the Japanese conservative and pro-capitalist opinions were pro-*Zaibatsu*, believing that “bigness as an economy necessity and on big business leaders as only one level below Momotaro and General Nogi in the pantheon of Japanese supermen”.

However, it was these Zaibatsu banks that thwarted the reforms by replacing the family holding companies. One of Bronfenbrenner's colleagues, Professor Yamamura from the University of California-Berkeley, said that that initially the dominant Japanese preference had been for rapid economic growth at a substantial cost to economic democracy. Bronfenbrenner responded by saying:

The Occupation cared enough about economic democracy to sacrifice for its sake a certain quantum of economic growth...The Japanese, like any other self-consciously developing country, make occasional loud noises about economic democracy, or such equivalents as 'the Socialist pattern of society,' but will seldom risk, for either democracy or Socialism, a tenth of a point of measure statistical growth. (*loc. cit.*)

It seems that Japan fell in a trap of finding the right balance that suited all parties involved. In essence, the relationship between those heading the Occupation and the Japanese themselves spurred economic volatility and confusion of goals.

Finally, Martin Bronfenbrenner generalized trade-union policy as the Occupation's third failure. The main struggle was determining if this Japanese unionism movement was to be business unionism or the popular political unionism. There is no need to get into the finer details of the policy, but rather let us focus on what Bronfenbrenner thought about it as a whole.

Bronfenbrenner humorously said that this tight rope created a "Frankenstein monstrosity, in the form of an anti-capitalist, anti-American movement of considerable strength". To conclude, Bronfenbrenner believed that these three failures put a damper on the positive outcomes, but that these failures did not define the impact of the Occupation's role in Japan's overall revitalization.

While it is necessary to analyze the handicaps, successes, and failures of the US Occupation to gain closure on the subject of this paper, we felt it only respectful to share Bronfenbrenner's final thoughts on the era rather than dissect his natural sentiments.

It is difficult if not impossible to summarize this jumble...in any intelligent way. Certainly the performance of the Occupation...was less outstanding than I remember anticipating, as an inexperienced serviceman in the relative backwaters of Northern Kyushu during the Occupation's initial era of good feeling. There seemed at the time no difficulty in convincing the Japanese of almost anything we wished- even those Japanese affected adversely. This euphoria, of course did not last. It could hardly have lasted even with an Occupation force of philosopher-kings and plaster saints, which ours was not.

On the other hand, looking backward, the record of the Occupation was better than I now think I had any right to expect...considering its brevity, its overstay of its welcome, and the resulting temptation to ride roughshod over Japanese public opinion. One thing is certain: I know of no military Occupation which did better with similar obstacles in an equally large and alien environment. (*loc. cit.*)

XIII. Conclusion

Although Martin Bronfenbrenner passed away on June 2, 1997, his legacy remains. His unwillingness to “become pigeon-holed in any one discipline” facilitated the universality in his academic work (Goodwin 1998, 1779). While we mainly examine his Japanese interests in this paper, we do recognize that this was just one bullet in his arsenal of economic knowledge. Nonetheless, Bronfenbrenner's analysis and insight into Japan's post-WWII economic recovery proved to be one of the highlights of his fine career. From assuming the plain-vanilla role of a translator during the war to providing valuable guidance in the wake of Japanese turmoil, we observed his growing attachment to Japan.

It should be obvious that Japan was in a fragile state, economically, socially, and politically. Bronfenbrenner used his expertise to evaluate the situation. Rather than labeling Japan as hopeless, he dismissed this generalized view and looked to uplift the nation from an economic perspective. He faced one major conflict; would his roots force him to form an American point of view, or would the blatant fact of a Japanese state in dismay permit him to structure his opinion as an objective scholar? His ambivalence was tested throughout his years both in Japan and the United States. Through the investigation of US protectionist attitudes towards Japan, the

yen-dollar exchange rate to depict the trade relations between the two nations, and his general oversight throughout US Occupation, we are able to estimate where Bronfenbrenner lies on the weighing scale of US-Japan relations. Though he believed there were many holes to fill for Japan to fully recover, he conceded to the fact that US involvement via Occupation was necessary. However, he thought the Americans felt too important in this effort of revitalization, which made it hard for him to take his natural side. Spending so many years in Japan forced Bronfenbrenner to see the complexities behind the nation's state of affairs, and this slowly put him on the Japanese side of the weighing scale. His tone of sarcasm and cynicism made it easier to decipher his writings and point of view.

In sum, Martin Bronfenbrenner sensitized America to Japanese economics, and his genuine investment in Japan will always be admired and held in high regard. He changed Japan's landscape and was one of the most influential figures involved in the recovery as a whole. Moreover, Bronfenbrenner "helped to keep general economics respectable, and by focusing on the economics of Japan, tried to make country-specialized economics respectable" (Eastern Economic Journal 1987, 1-6). He did, indeed.

XIV. Works Cited

- Bronfenbrenner, Martin. 1934. "A Japanese University- A Worm's-Eye View by a Foreign Worm." Unpublished essay in Special Collections, Duke University Library. Print.
- Bronfenbrenner, Martin. 1963. "Balm for the Visiting Economist." *Journal of Political Economy*, 71: 293-297.
- Bronfenbrenner, Martin. 1956. "Daniel in Lion's Den." Milwaukee Federal Trade and Labor Council, Milwaukee. Speech.
- Bronfenbrenner, Martin. 1968. *Economic Aspects of the US Occupation of Japan*. Proc. of Association for Asian Studies, Annual Convention, Philadelphia. Carnegie-Mellon University. 1-20. Print.
- Bronfenbrenner, Martin. 1946. "Economic Problems of Postwar Japan." Lecture before Graduate Club of Economics and Business. University of Chicago, Chicago. 23 Apr. 1946. Lecture.
- Bronfenbrenner, Martin. 1988. "Instead of a Philosophy of Life." *American Economist* 32.2: 3-10. Web. <<http://lupus.econ.duke.edu/History/Bronfen/Instead.html>>.
- Bronfenbrenner, Martin. 1969. "Introduction to the Japanese Banking System." Talk at the Federal Reserve Bank of Chicago. 19 May 1969. Speech.
- Bronfenbrenner, Martin. 1956. "Japanese-American Trade- An Academic Economist's View". Unpublished Essay in Special Collections, Duke University. Print.
- Bronfenbrenner, Martin. 1970. "Japan's Galbraithian Economy." *National Affairs*: 149-57. Print.
- Bronfenbrenner, Martin. 1997. "Marginal Economist". Unpublished Autobiography in Special

- Collections, Duke University Library.
- Bronfenbrenner, Martin. 1949. "Prospects for Recovery of Japanese Economy." Pittsburgh, PA. Lecture.
- Bronfenbrenner, Martin. 1979. "Recent Developments in Japanese-American Economic Relations". Speech.
- Bronfenbrenner, Martin. 1971. "Testimony of Martin Bronfenbrenner." The Subcommittee on International Exchange and Payments. US Congress, Washington, D.C. Address.
- Bronfenbrenner, Martin. 1996. "The Making of Economists in Japan". *The Post-1945 Internationalization of Economics*. Duke University Press. Durham and London. Print.
- Bronfenbrenner, Martin. 1969. "The U.S. Occupation of Japan (1948-52): Economic Aspects." *Encyclopaedia of Japan*: 1-43.
- Bronfenbrenner, Martin. 1959. "Thoughts on the Yen-Dollar Exchange Rate." *The Yen-Dollar Exchange Rate* 10.2. Print.
- Bronfenbrenner, Martin. 1960. "Towards a Japanese Gaullism?" Unpublished essay in Special Collections, Duke University Library. Print.
- Bronfenbrenner, Martin. 1984. "Trade Creation and Trade Diversion: Notes on the Free-Trade Area Case." Aoyama Gakuin University, Tokyo. Lecture.
- Bronfenbrenner, Martin. 1956. "US-Japanese Economic Relations." Asian Perspectives Series. University of Wisconsin, Wisconsin. Lecture.
- Bronfenbrenner, Martin. 1958. "Whole Person Education and Equal Outcomes." Unpublished essay in Special Collections, Duke University Library. Print.
- "Dr. Martin Bronfenbrenner : Scholar, Critic, Cynic, and Comrade-in-Arms - 1914-1997." *American Journal of Economics and Sociology* 3rd ser. 58 (1999): 491-523. 01 July

1999. Web. 14 Sept. 2011.
http://findarticles.com/p/articles/mi_m0254/is_3_58/ai_55884733/.
- Eastern Economic Journal. 1987. "A Conversation with Martin Bronfenbrenner." *Eastern Economic Journal*, Volume XIII, No. 1: 1-6. Web.
<<http://lupus.econ.duke.edu/History/Bronfen/Conversation.html>>.
- Goodwin, Craufurd. 1998. "MARTIN BRONFENBRENNER, 1914-1997." *The Economic Journal* 108: 1778-780. Web.
<<http://lupus.econ.duke.edu/History/Bronfen/Goodwin.pdf>>.
- Ikeo, Aiko. 1990. "Japanese Economics from Another Sociological Perspective." *Kokugakuin Keizai-gaku*. 39: 112-28. Print.
- Ikeo, Aiko. 2011. *The American Economist Martin Bronfenbrenner and the Reconstruction of the Japanese Economy*. Working paper no. 2011-11. Tokyo: Center for the History of Political Economy. 1-25. Print.
- Kaplan, Eugene J. 1979. "Japan's Foreign Trade- The Perils of Success." *U.S.-Japan Trade Council*: 3-11. Print.
- Komagu, Ryutaro. 1958. "Intensifying International Relationship between US and Japan." Address.
- Samuels, Warren J. 1945. "Notes from Martin Bronfenbrenner's Course in Distribution of Income." *Emerald Book*. Vol. 29. Wisconsin: Emerald Group, 2011. 91-98. Print.
- United States-Japan Trade Council. 1973. "Japanese Investment". Washington D.C.: Council Report No. 60. Print.