Martin Bronfenbrenner (1914-1997) in Japan, 1949-1952

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Martin Bronfenbrenner (1914-1997) in Japan, 1949-1952

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Nishizawa and Ikeo (2008) write,

Economics and economic thought in Japan have changed and progressed in response to various phases of Japanese historical and social development. The Meiji Restoration of 1867 and the Second World War were the two most obvious phases. Before the Meiji Restoration, there were very marked differences between Japanese and Western approaches to economic problems, though even in the Tokugawa era (1603–1867) problems common to East and West seem to have generated some similar economic answers.

Japan was occupied by the Allied from September 1945 till April 1952 after the conclusion of WWII. Martin Bronfenbrenner was the sole non-Japanese economist who stayed in Japan more than a few months during this transition period from chaos to a new normalcy. He made great contributions to shaping and maintaining the solid, intellectual connection with modern Japanese economists by running seminars, meeting at conferences, and working together with them in several projects. His activities must be included in the 75-year-history of Japanese Economic Association, which was established by modern economists in 1934 (See Appendix).

Training at the University of Chicago

Martin Bronfenbrenner graduated from Washington University in St. Louis. In 1934, he entered the Graduate School of Economics at the University of Chicago. He was first taught by Frank Knight and Henry Simons.
Two minutes sufficed for Professor Knight to not only “include me out” of his own class in Doctrinal History but to assure me in passing that I was completely hopeless until I had learned some mathematics (beyond high-school algebra) and some economic theory (beyond supply and demand). … Professor Knight subsequently came to suffer me almost gladly, although not to forgive my propensity to take seriously such heretics as Marx and Keynes. (7-2)

Simon taught the introduction to “formal” economic theory.

More than any other member of the “Chicago School” of economics – a term I never heard at Chicago! -- Simon was in love with a competitive-market model of the economy, … The self-regulation market mechanism was a good thing itself. When monopolies interfered, society should break them up and pay the costs of “inefficiency” – scale economies or even innovation foregone. If price and output levels fluctuated too much under a gold standard or a fractional-reserve banking system, substitute a managed currency and impose hundred-percent reserve requirement on the banks! If the market’s distributional results were what he called “unlovely,” remedy them by personal-income tax reforms simply because of their unloveliness. If incentives to invest in either physical or human capital were reduced by his reforms, if employment, production, and growth should suffer – these were only minor costs of justice and virtue. (Bronfenbrenner 1997) (7-3)

Martin took Simon’s course and two undergraduate mathematics courses in the fall term and the courses by Henry Schultz and Jacob Viner in the winter term. It seems that thanks to taking
Viner’s course in international economics, Martin could fix the Ryukuan yen and then stay in Bangkok, Thailand and join ECAFE in 1951-52.

Henry Schultz … was … a quiet member of the Department’s New Deal minority. Professionally, he was its major empiricist, interested in the econometric problems of what demand and supply curves actually looked like, and how they shifted over time. His lectures were largely in the “general equilibrium” tradition, singularly clear, meticulously prepared, and supplemented by blackboard math and diagrams beautifully written or beautifully drawn. (7-3, 4)

Schultz accepted to become the supervisor of Martin’s doctoral dissertation. Schultz was well known in Japan as the author of Statistical Laws of Demand and Supply, with Special Application to Sugar (1928) and scientific papers published in The Zeitschrift für Nationalökonomie and Journal of Political Economy (Schultz 1927). Schultz wrote his signature on the title page of his 1928 book and sent it to Eiichi Sugimoto (1901-52)¹, which is now located in the library of Hitotsubashi University.

¹ E. Sugimoto, associate professor of the Tokyo University of Commerce, was sent to Germany by Japan's government to study economics in 1929 and 1930. After studying the German language for more than four months, he entered the University of Berlin. During the fall semester in 1929-30, he attended lectures by W. Sombart on the methodology of economics, F. v. Gottl-Ottlilienfeld on wants and resources, E. F. Wagemann on money and banking, and Lorenz on economic and financial statistics as well as the seminar run by Wagemann. He attended the Institute for the Study of Business Cycles, whose president was Wagemann. During the spring semester at the University of Berlin in 1930, he attended lectures by Wagemann on business cycle and Bortkiewicz on the general theory of statistics. (See Tanese 1953). Sugimoto published his Study on the Law of Demand for Rice (1935, in Japanese) with referece to Schultz's Statistical Laws of Demand and Supply, with Special Application to Sugar (1928), H. L. Moore's Synthetic Economics (1929), W. S. Jevons, F. Y. Edgeworth, E. W. Gilboy, etc.
Martin completed his dissertation thesis “Monetary Theory and General Equilibrium”, 391 pages long, under the strong influence of his supervisor before Schultz’s sudden death at 46 in a tragic automobile accident in 1938. He received his Ph.D. from the University of Chicago in June 1939. His thesis was a vast survey of his contemporary analytical achievements rather than a collection of crisp papers to target at their submission to specialized journals. His list of references includes books in French including Léon Walras’s *Elements d'économie politique pure* (1874-77) and its definitive edition (1924), writings in Italian by Luigi Amoroso and Vilfredo Pareto, articles in German including Hicks, and Kei Shibata’s critical review article (1937) on J.M. Keynes’s *General Theory of Employment, Interest and Money* (1936).² His thesis was written prior to the publication of J.R. Hicks’s masterpiece *Value and Capital* (1939) although he referred to Hicks’s several journal papers. It is true he never wrote scientific papers in the line of his thesis but later he could share the common economic knowledge with young Japanese economists at Hitotsubashi University in 1949-50. Later in 1984, Martin accepted an offer from the chairman Taro Yamane in the newly established the Graduate School of International Politics, Economics and Communication of Aoyama Gakuin University.

Paul Douglas took over Schultz’s task of supervising Martin. Douglas had three fields of specialization, namely Labor Economics, Income Distribution, and Comparative Economic Systems. Martin had taken Douglas’s course in Comparative Economic Systems, which dealt largely with Marxism, in the spring of his first graduate year and found an overlapping with the Comparative Political Systems course he had taken at Washington University. On Douglas’s *Theory of Wages* (1934), Martin said that ‘[it] was basically a theoretical study of the labor share of the income distribution than a factual study of labor market’ (7-4). Later Douglas hired Martin as one of his assistants in statistical studies of the Cobb-Douglas function.

² We could assume that another general equilibrium theorist Oskar Lange suggested Martin to pay attention to Shibata (1937) because Lange in his ‘Marxian economics and modern economic theory’ (1935) had referred to Shibata’s ‘Marx's analysis of capitalism and the general equilibrium theory of the Lausanne School’ (1934).
Martin’s Chicago fellow-students included four future Nobel Prize winners (Milton Friedman, Paul Samuelson, Herbert Simon, and George Stigler), one future Chairman of the Council of Economic Advisers (Herbert Stein), one future President of the University of Rochester and Assistant Secretary of State for Economic Affairs (Allen Wallis), and two future high officials of the future United Nations secretariat (Sune Carlson and Jacob Mosak). Martin was most dazzled by Samuelson. Martin wrote about himself of the time as follows,

Among this crew I figured as something of a freak. Language requirements were then major hurdles for aspiring Ph.D. economists; I passed my French and German with ease in my first quarter at Chicago. … Furthermore, I shunned all the study groups for course examinations of “comparatives,” preferring to play the lone wolf. (7-6, 7)

Martin explored Keynesian revolution in Chicago and, in spite of reading Shibata’s critical review, his own conversion to Keynesian after 1939 as follows,

My graduate-school years spanned the “Keynesian revolution” in macroeconomics – the economic theory of income and employment. When I came to Chicago in 1934, Keynes was known to specialists, but “Keynesianism” meant nothing at all. By the time I took my degree (June 1939), Colonel McCormick of the Chicago Tribune had called Keynes “the Englishman who rules America” and “Keynesianism” was a label to conjure with – even among those with no idea of what Keynes had said, what he meant, or how his name should be pronounced.

Copies of Keynes’s General Theory of Employment Interest and Money accompanied into Chicago the followers that bloomed in the Spring of 1936. Having already completed course work in that general area but not the comprehensive examination covering it, my
immediate reaction was that I had best hurry up and pass that examination before my examiners could hold me responsible for the contents of “Keynes’s new book.” ……

My first reading of the General Theory was hostile one. Such hostility was common at Chicago – and likewise, as I learned later, at Minnesota. Knight, Viner, and Simons all wrote negative reviews; …… Schultz wondered whether such Keynesian constructs as the “consumption function” had any empirical validity. ……

Chicago’s main sticking point against Keynes’s policy conclusions – which Viner later summarized as “Full Employment at Whatever Cost” – related to his Chapter 19. There Keynes proposes to overthrow the orthodox view of unemployment as a disequilibrium phenomenon, resulting from real or money wages held above market-clearing levels by custom, legislation or trade-union activity. Keynes argues that money wage cuts will not increase employment in depression because prices will fall with them leaving real wages essentially unchanged. Mild inflation with constant money wages would, in Keynes’s 1936 view, avoid this difficulty by cutting real wages while avoiding labor unrest and social conflict.

This analysis assumed “money illusion” on the part of labor and its leadership. Behind it was what Keynes’s first biographer calls “the presuppositions of Harvey Road” – the upper-middle-class Cambridge street of Keynes’s childhood home – that workers would accept constant money wages indefinitely, given some guarantee of full employment plus an eventually-falling price level as advancing technology reduced the cost of living. ……

But the Spring of 1939 found me converted to the Keynesian system of macroeconomic analysis even to some form of “Keynes’s Law.” [Note 13. Aggregate demand eventually creates its own supply, in conditions of significant general unemployment.] I would then remain more or less a Keynesian for over 20 years in more than the meaningless sense of Richard Nixon’s 1969 proclamation that “We are all Keynesians now.” At the same time I remained heretical – a “bastard Keynesian” as defined by Mrs. Joan Robinson at Cambridge – from unwillingness to guarantee or underwrite any employment level,
whether “full,” “high,” “natural,” or anything else, “irregardless” of what might be happening to real or money wage rates. ……

But my real push into Keynesianism came after Professor Schultz went on leave to chair the new Department of Economics at U.C.L.A. and Berkeley. (7-9, 10)

The Pacific campaign of WWII started in December 1941. Martin decided to volunteer to serve his country. It seemed to him in the late Fall of 1942 that there were two options to be a weather officer (meteorologist) or language officer. In order to become a meteorologist, one should have college credits in Physics and Elementary Calculus. Martin had taken for credit of neither of these; ‘subsequent passing grades in Advanced Calculus and Differential Equations were neither equivalents nor substitutes. He was 27 and going on 28, and it seemed to him that he was becoming possibly too old.

However, Japanese was open. The Navy offered Martin a chance to try in the Naval Training School in Oriental Languages (NavTraSch OrLang), located on the University of Colorado campus at Boulder. He took an intensive course for 15 months. Japanese became his third language, with his second being French, and his fourth and fifth were German and Italian (information by Teruko). Martin graduated from the language school around in May 1944, three months behind schedule because of a minor illness. A few months later, Martin was in Oahu, Hawaii. He found ‘the island nearly half Japanese, but with small Caucasian and smaller Chinese communities dominating the island’s economy thanks largely to fortunate marriages of their ancestors with the ali‘i aristocracy of the 19th century Hawaiian kingdom’ (12-1).

Martin participated in three translation projects and received frequent assignment to Iroquois Point for prisoner-of-war (POW) interrogation. Martin wrote, ‘I had been no kaiwa (conversation) specialist in Boulder, but before leaving Pearl Harbor I had acquired more self-

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3 We do not know how many meteorologists were recruited in this way. It is known in Japan that Kenneth J. Arrow was one of them.
confidence than my skills would support’ (12-4). He continued to write, ‘We made the prisoners grow their own food, both to keep them busy and because they preferred rice and vegetables to G.I. Rations’ (12-4)\(^4\).

Martin went to the University of Hawaii campus in the Manoa rain forest. The Chairman of the Economics Department, Professor Cameron, justified income inequality by the increasing scope it provided for private charity. He wished Martin to teach Comparative Economic Systems at Hawaii, including Marxism\(^5\). Although Martin was all set to begin classes in February, the Navy abruptly forbade regularly-scheduled outside activities by its personnel.

**First Visit to Kyushu in 1945**

The Japanese Emperor’s message of the acceptance of unconditional surrender was recorded on the disk in a studio on August 14. It was ciphered and wired from Tokyo to the military bases in and outside Japan shortly before noon of August 15. At noon it was radio broadcasted throughout mainland Japan and the military fronts. The same contents were found after the wired message was deciphered around the time of conclusion of the radio broadcast at each base. It was the end of the war in East Asia. The people in charge of the bases and private correspondents were informed around August 10 that the very important message from Tokyo would become public.

\(^4\) This kind of policy was adopted in Lenban Island (former deserted island) near Singapore when the British captured the Japanese after the conclusion of WWII. Japanese POWs were allowed to grow vegetables.

\(^5\) I assume that these unused class materials were to be used later in writing Part XI “Comparative Economic Systems” in Bronfenbrenner, W. Sichel (microeconomist), and W. Gardner (macroeconomist)’s *Economics* (1990). Sichel said, ‘I think Martin did a wonderful job some of the chapters for which he took the lead. Even after we “wrote them down,” they were still, by far, the best in the industry. An outstanding one was his Comparative Economic Systems chapter (Bronfenbrenner, et. al, 1990, pp. 923-947)’ (Bronfenbrenner et al. 1999: p.510).
on August 15 (Ikeo 2006). On September 2, Mamoru Shigemitsu, the Ambassador of Japan, signed the official documents on the battleship Missouri in Tokyo Bay.

Martin came to Japan for the first time in the fall of 1945. He first arrived in Sasebo, Kyushu (the second largest island of Japan, next to Honshu) like many younger soldiers and officers. Nagasaki is the most western prefecture in Japan, the closest to Korea and China. Now it takes more than two hours by plane from Tokyo to Nagasaki. According to James Abegglen (1926-2007), who arrived as a member of the US Marine in Sasebo, what they were doing was a field work similar to anthropologists’ research method (direct information by Abegglen, 2000). Martin’s attitude was more cautious and polite probably than non-economists. He located the newspaper article on calling attention to the US President Roosevelt’s two last election victories (1940 and 1944) and the US Constitution.

During my next few days in Sasebo, I put myself to work at what I guessed might be a civil censor’s job. Purchasing a copy of the regional paper, the *Nishi Nihon Shimbun* [the leading newspaper with the widest coverage in Kyushu area], I perused a somewhat anthropological special section on getting along with these strange Americans who had descended on Kyushu from the outer world. The author was a [sic] Japanese who claimed to have studied at the University of Virginia. Aided by dictionaries and magnifying glasses, I worked through this piece and discovered a factual error…. The writer had called the President Roosevelt’s last two election victories (1940 and 1944) illegal, since the U.S. Constitution limited the President to two terms. … the Constitution was eventually amended in conformity with their views. (13-4)

Martin visited Kyushu Imperial University in Fukuoka. Martin met a Japanese modern economist for the first time. His name was Yukichi Kurimura (1899-1983) and he became the only Japanese economist Martin met in 1945.
On my first day off I went there still in full regalia—loaded gun and all—in search of an economist with whom I might talk. A janitor led me from the main gate through dark corridors of dark buildings, windows being still blackened out as air-raid defenses. Eventually we reached an office where a starved-looking professor, perhaps 15 years older than myself, was conducting a seminar for two starved-looking students. Everyone’s clothes were patched, and the room should have been heated but wasn’t. When I appeared, the professor thought my mission might be his arrest, and he was visibly shaken. But on his rickety blackboard was written what looked like a Cobb-Douglas production function, and I immediately established my credentials as a student and former assistant of Professor Douglas at Chicago. The professor was Kurimura Yukichi, who turned out to be almost the sole non-Marxist in the Kyushu Faculty of Economics as reconstructed under the Occupation. We became friends on the spot, took walks together all over Fukuoka, and discussed the prospects for Japanese economic recovery in pessimistic tones. Later we met from time to time, mainly in Japan but also in America, until shortly before Professor Kurimura’s death in 1983. His talents, incidentally, extended well beyond economics into botany, calligraphy, architectural design, and university administration. (13-11)

Yukichi Kurimura (1954) states the beginning of his friendly relations with Martin Bronfenbrenner as follows,

One warm day [italics added] in the early autumn of 1945, I was lecturing to graduate students in my office at Kyushu University on J.R. Hicks’ *Value and Capital* (1938[sic]), when a clerk telephoned me that an American soldier had come to the University to interview people. At that time, the American occupation of Japan had just begun; it was a time when Japanese were still worried about the American Army. I felt greatly perturbed
about the interview, but resolved to go through with it, and asked to have the American guided to my office. After a while, an officer wearing Marine uniform, with knife and pistol at his side, came into my office. It was Mr. Bronfenbrenner. He had not heard of me in advance, or come to visit me. It was also my first meeting with him. He must have wondered whether anyone in the Kyushu University economics department was doing any research in modern economics, particularly along mathematical lines. That must be why he came to see me; I am the only modern economist at Kyushu University, and accordingly was the man best-fitted to meet him.

By the way, when I speak of modern economics, I mean the economics of a group of scholars beginning with Leon Walras, passing through Vilfredo Pareto, Knut Wicksell, Alfred Marshall, to J.R. Hicks, R.G.D. Allen, Paul Samuelson, etc. (who have absorbed the teaching of J.M. Keynes and his school). …

It was decided that Martin was scheduled to return to the US in December 1945. He was transported to Tokyo from Kyushu. ‘The trip was boring as well as sad. It took nearly 36 hours, with stops at every station and seems of one bombed and burnt city after another. Hiroshima was passed in the middle of the night’ (13-15). He left Japan on a clear crisp December morning, aboard the aircraft carrier Lexington, bound for San Francisco with no stop at Pearl Harbor. He landed at Alameda, on the Oakland side of San Francisco Bay (13-16).

The Shoup Mission in Tokyo, 1949-1950

Martin’s second visit to Japan was brought by his involvement in the Shoup Tax Mission in 1949 and was stationed mostly in the capital city Tokyo on this occasion. There are several necessary conditions for a market economy to work efficiently for the allocation of economic resources in a real economy. If we refer to the implementation of Washington consensus, which was to be articulated in some way in the 1980s probably by looking up the past experiences, far more
important is the establishment of the modern banking system and taxation system. First, Japan’s banking system was rapidly formed late 19th century by following the American state banking system and saw an increasing number of private banks being set up and competing with each other to allocate fund from savings to investment. The number of banks was halved during the financial crisis in 1927 and again during WWII. Then its banking system remained mostly unchanged during the post-war occupation period. One exception was the Reconstruction the Finance Bank (Fukko Kinnyu Koko). It was established literally for lending money to those who needed it for economic recovery based on the governmental recovery plan. The loan was financed by issuing its bonds and the bonds were purchased by the Bank of Japan when Tanzan Ishiashi was the Finance Minister. Yet it was terminated by Josef Dodge, a banker from Detroit, who had been sent to Japan to suppress the postwar hyper inflation.

On the other hand, Japan’s taxation system (centered on land tax and paid by rice) was mostly carried over from Tokugawa era to the early 1930s. The tax collected from the agricultural sector was utilized not only for the expenditure of normal government activities but also for the subsidies for the nascent industrial sectors. The taxation system was later adjusted for financing the development projects in managing its neighboring ‘colonies’ until 1945. Therefore, Japan needed a new tax system indeed.

The Shoup Tax Mission was headed by Carl Shoup (Columbia University), joined by economists Howard R. Bowen (Illinois), William Warren (Columbia), Stanley Surrey (California), and Martin. Rolland Hartfield (Director of Tax Research, State of Minnesota) and Jerome B. Cohen (specialist of Japanese economic institution) also joined the Mission.

[I]n the Spring of 1949 Professor Shoup had accepted the chairmanship of a special mission to advise General MacArthur on reform of the entire Japanese tax system, both central and local. (One Mission member was my former Boulder classmate Jerome Cohen, then of C.C.N.Y., who had written a classic doctoral dissertation at Columbia on Japan’s Economy in War and Reconstruction.) Result: Out of the blue, a letter from Professor
Shoup, … Would I care to join the Shoup Mission in Japan and stay on in Tokyo after its
departure, acting both as a revenue estimator and as liaison between the Mission in
America, the Public Finance Division of SCAP, and the Japanese Ministry of Finance?
The appointment would be officially in the Public Finance Division of the Economic and
Scientific Section of SCAP, would last for two years, would represent a substantial salary
increase, and would give me a chance to work up my Japanese! Naturally I wanted to go,
despite Milton Friedman’s well-meant warning that “all that Japanese stuff” might ruin me
as an economist. (14-16, 17)

SCAP stands for the Supreme Commander for the Allied Forces. It was referred to General
MacArthur himself and to the staff of his Tokyo Headquarters. The SCAP was rather called
GHQ by the Japanese. Bronfenbrenner (1957: 237) tells us what the economists in the Mission
were thinking.

The Shoup tax reform is interesting, then, as a case study of the accomplishments of a
Western tax mission in a short period under (nearly) ideal conditions. It is interesting more
particularly to Americans as a case study of an Occupation-sponsored, economic reform in
Japan…

Yet the situation was complex. What I can do now is to quote from Bronfenbrenner (1997) in full
length. The summary from the American side and the one from the Japanese side may differ
from each other, especially the relationship of the projects conducted in the Occupation period.

It is never easy, even for an Occupation independent of popular votes, to stop a major
inflation in its tracks by methods short of Nazi or Stalinist dictatorship. SCAP in 1949 was
in the position of doing precisely that, after three years or more of feckless piddling with
the inflation problem, by the combined efforts of its own Finance and Public Finance
Divisions and a number of outside consultants. The most important of these latter were
Joseph Dodge, a Detroit banker of orthodox leanings (Andrew Mellon model), Ralph
Young of the Federal Reserve, and of course Professor Shoup himself.

We needed not [to] discuss in its entirety SCAP’s famous (or infamous) nine-point
program for eventual Japanese self-sufficiency and price stability. Four points which
eventually related to my own work were:

1. Restraint on public expenditures, with the exception (in practice) of “Temptation of
War Expenditures” (logical support of the Occupation itself).

2. Restraint on the growth of the currency component of the money supply (although the
bank-deposit component remained quite free to expand).

3. Drastic increase in tax collections from both direct and indirect taxed, and[sic] at both
national and local levels.

4. A balanced, or some would say an over-balanced or surplus, in the Central
Government budget, including both the general account and the myriad of special accounts
(some of them secret) in which deficits had previously been concealed.

The item numbered three, increased tax collections, had become the most painful to the
man in the street or in the rice paddy. Each tax office had its quota of income tax
collections. To meet it the Japanese tax office forced taxpayers – sometimes with an armed
U.S. soldier or two standing by for emphasis – to pay three, four, or even more times the
amounts they had admitted owing. There was no pretence of justice or legality. Some tax
payers found themselves assessed more than their total incomes, after the process was
completed. After a year or so of this, taxpayers were beginning to respond en masse, with
mobs wrecking or burning tax offices and destroying tax records. Something clearly had to
be done; the Shoup Mission were[sic] the miracle men who could do it. Or could they?
By “doing it,” however, the taxpayers had in mind not the reconstruction of the Japanese tax system – the Mission’s concept of its function – but rather the reduction of everyone’s tax liabilities to some reasonable proportion of their incomes. This the Mission would find difficult without involvement with the expenditure side of the budget (our Point 1) or with the principle of annual budgetary balance (Point 4). Both of these were excluded explicitly from the Mission’s purview, and so there little could do to avoid [the] disappearing Japanese public opinion. (15-2, 3)

The four volumes of the *Shoup Report* were completed around the time of Martin’s arrival at Haneda Airport.

As far as the Japanese were concerned, the Mission merely shifted the total around from one tax to another, one income bracket to another, or one government unit to another, without reducing its total. (For some people that was enough to condemn it!) To me, the fundamental substantive points of the *Report* were these:

1. Retention of a direct rather than a indirect tax system, with a high degree of income tax prewar tax tradition progression. This represents a break with Japan’s prewar tax tradition, but continues previous Occupation policies, and is based on contemporary (1940s) American practice.

2. Introduction of numerous refinements, both substantive and administrative, designed to reduce evasion and avoidance, and at the same time to increase progressivity. Many of these had been developed by Professor William Vickrey (a Mission member) and adapted from Vickrey’s *Agenda for Progressive Taxation*.

3. A shift in tax receipts from the central to the local government bodies to give the latter more revenue sources independent of Tokyo as the financial basis for local autonomy.
4. Revaluation of individual and corporate assets to take account of wartime and postwar inflation, and permit realistic provision for depreciation reserves and eventual replacement of capital.

Of these, only the last had the full support of the Yoshida Cabinet and the Liberal Party. For the rest, they

Damned with faint praise, condemned with civil leer,

And while not sneering, taught the rest to sneer.

Actually they shared the Occupation’s interest in tax reform, but considered the Shoup proposals “too theoretical,” meaning too complex for practical administration. (They would have preferred greater encouragement for saving and investment, less concern with effects upon the distribution of income and wealth.[]) (15-2,3)

As mentioned, Martin’s job was revenue estimation.

Much of my own time was taken up with revenue estimating, in which I had had Treasury experience eight years previously. Nevertheless I did rather badly, being dependent on Japanese statistics which were subject to constant revision and even bargaining. (SCAP wanted figures to look good, both to reduce the burden of the Occupation on American taxpayers and to make General MacArthur appear more successful than his rival, General Eisenhower, in Germany. The Japanese wanted more aid, and cared not at all about comparison with Germany.) I had the advantage of a remarkably skilled and New York born assistant, Taro Yamane, who knew both language and had just graduated from Hitotsubashi University in Economics (after wartime service in the Japanese Naval Air Force[]). (Taro would later take a Wisconsin doctorate, write standard textbooks in both
statistics and mathematical economics [in English], and become a star of the Faculty of Economics at Aoyama Gakuin University, before dying quite suddenly in 1979.)

… My principal assignments, mostly involving Taro as well, related to asset revaluation (Point 4 above). To the taxation of resident foreigners in Japan (not connected with the Occupation itself). And to a proposed value-added sales tax (VAT) for the Japanese prefectures, which corresponded vaguely to weak American States but often were no larger or stronger then[sic] American counties. (15-3, 4)

Martin wrote the political results of the Shoup proposal as follows,

The proposed value-added tax (VAT) was a greater failure. It passed the Diet in 1950, with its application postponed to 1951. The postponement was later repeated in 1951. When the Occupation ended in 1952, the prefectural VAT of the Shoup Mission was quietly forgotten. After its widespread adoption in Europe VAT has received renewed attention in Japan, but only at the national level. A form of it was adopted in 1989. (15-5)

Shigeto Tsuru served as a high-level consultant to SCAP and worked for the Economic Stabilization Board of Japan’s government. Tsuru published the Japanese summary of this Tax Mission with a finance Bureaucrat. Tsuru and economic bureaucrats including Saburo Okita co-
authored the first White Paper on the Japanese Economy around 1949. Later Martin would come to know Okita in Bangkok.

**Fixing the Ryukyuan yen in Okinawa, November 1949**

Martin and other SCAP members were sent to Okinawa in November 1949. Okinawa is now the largest island of Okinawa Prefecture, which was called the Ryukyus at the time. Martin explained their mission as follows,

I was sent to Okinawa for 10 days in November on a SCAP Mission to produce for the Ryukyu Islands the same speed of monetary and fiscal disinflation that Japan was achieving. This was difficult if not impossible in the short term, for the Ryukyus specialized in sub-tropical agriculture, had no industrial base worth mentioning, and had lost much of its best (most level) agricultural land to Occupation airfields and other installations. Our Mission was to produce a full-fledged economic plan in a hurry – no free markets if the military could help it. The plan was to cover wage rates, monetary and fiscal policy, and the exchange rate of the Ryukyuan yen with both the U.S. Dollar and the Japanese yen. (15-8)

Martin proudly described what he had done by utilizing his knowledge of purchasing power parity thanks to J. Viner’s course in international economics for Okinawa and the Ryukyus as follows,

My main target was supposed to be the Ryukyuan tax system, but because no one else was willing to fix an exchange rate for the Ryukyuan yen, I spent most of my time on that
problem. Using rudimentary price statistics for perhaps 10 key commodities, I decided that one Ryukyuan yen had the approximate purchasing power of three Japanese yen. Using an elementary purchasing-power parity theory of foreign rates, I therefore suggested that the U.S. dollar should equal 120 Ryukyuan yen, since others had set the price of the dollar at 360 yen earlier in the year. This suggestion being adopted, the rate stuck until 1958, when the Ryukyuan yen was abolished and the islands adopted U.S. currency for the few remaining years of American rule. *I am thus one of the few international (or other) economists to have set an exchange rate by himself, more or less successfully.* (Italics added) (15-9)

I agree that Martin did good thing by fixing the Okinawa (Ryukyuan) yen to three Japanese yen during the Occupation period.

Martin and other staffs found its economy in a sorry situation when they arrived in Okinawa. Martin noted two economic problems. First, ‘wages on U.S. projects were much lower than in Japan’. This problem was resolved by some degree by revaluing the Ryukyuan yen to the triple value. Second, ‘while the Ryukyuan balance of payments with the U.S. was strongly positive, thanks to American employment of native labor, the dollar balances were simply accumulating in the Ryukyuan account in Washington’ (15-8). The second problem remained unresolved although most of his mission members felt it strange ‘that Ryukyuan balances in Washington were not being spent for consumer goods, especially for clothing and building materials in short supply’ (15-9).

**Wednesday Meetings at Hitotsubashi University, 1949-1950**

In addition to technical tax work, Martin did his best to keep up with general economics.
As part of my preparation for return to Japan, I had established contact with Professor Tsuru Shigeto [sic], who was at that time the Japanese economist best known in America. He had earned a Harvard doctorate; he spoke and wrote fluent English; I had read some of his publications, and had heard him praised by mutual friends as long ago as his student days in 1935. Now we began to correspond, and Professor Tsuru offered me the opportunity to join him in conducting a graduate seminar on Western macro-economics at Hitotsubashi University. I accepted with alacrity, after ascertaining that the seminar was held on Wednesday afternoon, when we were off duty. (15-5, 6)

Their mutual friends should include Oskar Lange and Abba Lerner, who had a socialist inclination in the debate over economic calculations in a socialist economy and had moved to Chicago from Boston in the 1930s. Thanks to his connection with Tsuru, Martin enjoyed driving to Kunitachi campus of Hitotsubashi University in the western suburb of Tokyo once a week.

I came to look forward to those Wednesday afternoons on the Hitotsubashi campus … especially after buying a little British Austin, which I names *Akaji-Zaisei* or “Deficit Finance” and drove merrily back and forth between Kunitachi and downtown Tokyo. In addition to Tsuru, who was then working on a Marx-Keynes synthesis, the seminar included several young Hitotsubashi professors and students who would later achieve prominence in Japanese economic circle [now the Japanese Economic Association]. (15-6)

The seminar was formally arranged by President Ichiro Nakayama of Hitotsubashi University, student of Tokuzo Fukuda at Hitotsubashi and J.A. Schumpeter at Bonn. The teachers Martin recalled best from Hitotsubashi were, apart from Tsuru, Kiyoshi Kojima (International economist, student of Kaname Akamatsu), Miyohei Shinohara (a development economist, who published
many books and papers on the Japanese economy and industries, and its policies), Isamu Yamada (an econometrician, who later would join the Cowles Commission).

Martin wrote about the professors at Hitotsubashi as follows,

Ideologically, they were mixed bag, with Tsuru on the Left and Yamada on the Right, defining my own position as the middle. But later on, in early 1950, the rumor seems to have started that these Hitotsubashi seminars were “covers” for anti-Occupation political plots, or even for training in revolutionary tactics. Such rumors were complete nonsense; in particular I know nothing about such practical matters as the domestic manufacture of bombs or Molotov cocktails. (15-6)

This kind of environment would make Martin to return to the U.S. earlier than the original plan of two-year stay in Japan.

Hitotsubashi seminars on Wednesday afternoon attracted economists outside Tokyo as well. A number of Japanese economists visited Kunitachi or Tokyo to meet Martin.

Yukichi Kurimura (1954) recalled as follows,

Mr. Bronfenbrenner came to Japan as a civilian employee of SCAP for a full year, beginning in the Summer of 1949. That time his stay was longer, and by the nature of his work as well as his lectures at Hitotsubashi University in Tokyo, he became friendly with a considerable number of Japanese professors. As far as I know, they included Professor Takuma Yasui of Tohoku University, Professors Ichiro Nakayama, Shigeto Tsuru, and Isamu Yamada of Hitotsubashi University, … , Professor Tetsuhito Nakajima of Doshisha University, Professor Masao Takahashi of Kyushu University, and others. …
In September 1951, the San Francisco Peace Treaty was signed to bring Japan formally back to the international community (in April 1952) during a time of crisis between the East and the West, that is, during the Korean War (1950-53). In 1952, Martin and Robert H. Strotz, the organizer, helped Yasui participate in the Chicago meeting of the Econometric Society, to be held on December 27-29, and Strotz encouraged him to present a paper. Their correspondence remains in the Yasui Library of Saitama University (Ikeo 2006). Yasui was sent there by the Science Council of Japan (Nihon Gakujutsu Kaigi) and gave his 'Nonlinear self-exited oscillations and business cycles' in the session "Macro-dynamic Models of Economic Fluctuations" on the 27th. Yasui became the first Japanese economist to present a paper at a meeting of the Econometric Society.

**ECAFE in Bangkok, 1951-1952**

Martin had searched for the opportunity to visit Tokyo and stay somewhere in East Asia since he left Japan from Haneda Airport while Teruko, his future wife, saw him off on 12 August 1950. In 1951, Martin joined the Economic Commission for Asia and the Far East (ECAFE) under the umbrella of the United Nations (UN), headquartered in Bangkok, Thailand. ECAFE was later to be enlarged and reorganized to focus on a wider coverage of the economic and social activities in a wider region and renamed as the Economic and Social Commission for Asia and the Pacific (ESCAP). Palamadai S Lokanathan, Indian economist, was the First Executive Secretary of ECAFE.

Martin Bronfenbrenner wrote the starting of the arrangement as follows,

As the year 1951 rolled on, one of Wisconsin’s Chinese students came to my more immediate assistance. This was Yang Shu-chin, Ellsworth’s star student in International
Economics, whom I hope I had helped get a United Nations position with the Economic Commission for Asia and the Far East (ECAFE, later ESCAP), with headquarters in Bangkok, Thailand. Shu-chin was at that time writing a doctoral dissertation on the fiendishly complex Thai system of multiple currencies. From their vantage point in Bangkok, Shu-chin and his wife Nancy worked out a scheme whereby I could come to ECAFE as an ECAFE consultant in 1952 on a U.S. passport, passing through Tokyo. (16-4)

Martin’s job was to be the studying of ‘the developing trade relations between Japan and the “ECAFE region” of South and Southeast Asia’ (17-3). He also noted that ‘these relations could barely be called embryonic in 1951-52’ although it was to become more important around 1960 (17-3). Martin gives us the description of his findings in UN’s ECAFE community in Bangkok.

The little ECAFE professional community was further subdivided into three enclaves. The largest of these was Indian, which included Pakistanis and was headed by our Executive Secretary, P.S. Lokanathan. Second in size and standing was the Chinese group, into which Shu-chin and Nancy had introduced us. Smallest was [the] Anglo-American group, which however had the closest ties to the Thai Government and international business. Members of each group entertained each other, borrowing for the purpose each other’s dishes and servants. They discussed each other’s personal problems, criticized the Thai people and government, and bored each other most of the time, except for scandals and coups d’état. (17-6)

As professionals, the ECAFE group were[sic] unimpressive. Dr. Lokanathan was known to be impossible for Westerners to work under, as he revenged India’s two centuries of British rule by bullying his Occidental subordinates. … The most eminent visitor was Dr. Okita Saburo [sic] of the Japanese Economic Stabilization Board, a planner of the future
Japanese “miracle” and later foreign Minister of his country. Shu-chin himself, with his new Wisconsin doctorate, was the best member of a regular staff top-heavy with Chinese refugee bankers and retired civil servants whose methodology seemed to be the accumulation of as many numbers with as little explanation as possible. (17-7)

Japanese data being so shaky, my job was shifted to the editorial revision which became rewriting of large sections of ECAFE’s Annual Report for the previous year (1951). Here my U.S. Treasury experience helped me; each member Government had veto rights over any reference to its country, so I did my best to avoid both outright lies and the whole truth. Offsetting this was a first draft written by a Chinese in what he thought to be English, whose meaning I was to clarify (after finding out what it was). In those days the main criterion of good economic policy was still the minimization of inflation; growthmanship was only a distant second. (17-7)

**A Series of Lectures in Kyoto, the summer of 1952**

Martin arranged to spend the summer of 1952 after leaving Bangkok when his term expired. He planned to stay at Doshisha University in Kyoto, one of the old capitals. The city has been famous for some important, traditional Shinto shrines, solemn Buddhist temples, and many other historic, fine-looking buildings and houses. This was why it had escaped bombing during the Pacific campaign and attracted Martin in 1952. His Doshisha connection was a labor economist, Shichiro Matsui, who was a prewar Wisconsin Ph.D., a labor adviser to SCAP, and had visited Madison in 1948. Matsui arranged that Martin give a series of lectures on various economic-theoretical topics for Doshisha and Kyoto University economists.

Martin wrote on the Doshisha seminar and his first meeting with Yasuma Takata, the Japanese Marshall as he labeled in Bronfenbrenner (1981). Takata published his *New Lectures in Economics* (five volumes, in Japanese, 1929-32). This constituted a survey of what was happening to economics on the research frontier in the rest of the world, including the discussion
of both general equilibrium theory in the manner of Walras and partial equilibrium theory in the manner of Marshall. After that, many good studies of economics became available in Japanese. If they had been written in German or English, some of them would have caught the eyes of specialists abroad. Out of blue, however, it was decided that he should be purged from university professorship and later the decision itself was cancelled as his followers articulated the fact.

One episode which stands out in my memory of that Kyoto summer was meeting Professor Takata Yasuma. Professor Takata had been the dean of “modern” (post-Marxian) economics at Kyoto University, then purged by his Left-wing Kyoto colleagues (with the connivance of the Civil Information and Education Section of SCAP) for certain wartime pieces which could be interpreted as anti-Caucasian racism, and also as revenge for the Japanese military’s previous purging of the Kyoto University Marxist leader, …, I had tried and failed to induce SCAP to reexamine the Takata case, but never met Takata himself. When he did me the honor of appearing at my Doshisha lectures, he turned out to be soft-spoken, grandfatherly gentleman in [a] traditional Japanese kimono. His German was better than mine, and likewise better than his English, but … he had a remarkable ability to figure out the extent of my linguistic competence, so that we were able to argue about a surprisingly large number of fine points of economic and social theory. He was one of the few Japanese sympathetic to my view that the disinflationary Occupation policies of 1949-50 were basically correct, and would have accelerated Japanese recovery in the long run even without the inflationary stimulus of the Korean War. I made a point of visiting Professor Takata whenever I came to the Kansai area of Osaka-Kobe-Kyoto, until the onset of his final illness. (17-8)

An Observation and A Question

(1) I wonder how well Friedrich von Gottl-Ottlilienfeld (1868-1958) has been known in the US.
By the late 1940s, the Meiji Emperor had been in his grave for more than 35 years, but a generation of Civil Service fuddy-duddies were blaming their economic ignorance on something called “Gottl economics” dating from their student days at Tokyo University. “Gottle,” of whom I had never heard, was the German romantic-economist Friedrich von Gottl-Ottlilienfeld, renowned in Japan for a mystical doctrine that a country’s economic policy should reflect the country’s Spirit, which for Japan meant that it should be based on the Imperial Will (Tenno-shugi) and on “Japanism” (Nihon-shugi), an especially virulent form of galloping patriotism.

(2) Martin did not mention Kaname Akamatsu (1896-1974), who was famous the flying-geese-pattern theory of development and the supervisor of Kiyoshi Kojima at Hitotsubashi University.

Akamatsu referred to *Technik, technischer Fortschritt und sozioökonomische Zusammenhänge* bei Friedrich von Gottl-Ottlilienfeld (Unbekannter Einband) when he discussed the relationship of technology and natural resources intensively in *World Economy and Technology* (coauthored with Kiyoshi Kojima, Tokyo: Shokogouseisha, 1943).
Appendix: The Japanese Economic Association (JEA)

The Japanese Economic Association (JEA) plans to celebrate its 75th anniversary by writing its history for the first time and holding a memorial symposium with economists from East Asia in September 2009.

The leading Japanese economists established JEA in 1934 with facing economic internationalization, the transmission of the Great Depression worldwide and the collapse of the gold standard, and subsequently the internationalization of economics.

(1) The establishment of the Econometric Society (ES) in 1930. Joseph Schumpeter visited Japan to see his students, who had studied economics at the University of Bon, Germany, and told he had become an executive committee member. Karl Menger, one of the founding members of ES, also visited Japan to see his father’s library at Hitotsubashi University and gave a lecture on Gödel’s impossibility theorem to the mathematicians.

(2) A meeting of the International Statistical Association was held at the governmental building in Tokyo. Japan’s government was eager to promote the use of statistical approach to various fields in both natural and social sciences.

(3) Thanks to a mathematician and member of the Parliament, Rikitaro Fujiwara, acted enthusiastically and managed to establish the Science Council of Japan for the promotion of scientific study in Japan around 1930. A year later, within the council, the Committee for the Theoretical and Statistical Study of Rice was formed and called for leading economists.

Therefore, JEA was established naturally for the promotion of the study of economic theories or economic theorizing and its statistical application. Leading Japanese economists were reading every issue of newly established Zeitschrift für Nationalökonomie (1930-), Econometrica (1933-) and the Review of Economic Studies (1933-). They assimilated various kinds of economic traditions.
The pre-WWII JEA membership was restricted to theoretical economists teaching the principles of economics at universities and colleges. In 1949 its steering policy was changed, and the past directors were all released from their posts. New members were recruited from theoretical economists nationwide. The name of the association was changed from the Japanese Economic Association to the Association of Theoretical Economics. In October 1950, the Japanese Econometric Society was established and their first meeting (July 1950) was announced and reported in *Econometrica* (1950-51). This society and the association made it a rule to hold regular conferences together, and there was extensive overlapping in their membership. Therefore, the merger of the two became an issue and it was decided to do so at the general assembly of October 1967. At the next general assembly of October 1968 it was decided that the new name be the Japanese Association of Economics and Econometrics. At the general assembly of September 1997, the name was changed to the Japanese Economic Association, which was the original name for the association.

As regards the activities of the Japanese Economic Association, there is something special to note on the internationalization of economics. In 1950, the leaders in the community of Japanese economists launched the scientific journal in Japanese entitled *Kikan Riron Keizaigaku*. This became the journal of both the Association of Theoretical Economics and the Japanese Econometric Society in 1959. A referee system was introduced in 1960. In order to promote the internationalization of the journal, its formal name was changed to an English one, *Economic Studies Quarterly*. A British publisher was found for the journal, and the name became the *Japanese Economic Review*. Moreover, the Econometric Society is an international organization, which individual economists can join from all over the world. This society and the Japanese Economic Association had jointly held a Far Eastern meeting every other year since the former Japanese Association of Economics and Econometrics decided to do so at its 1987 general assembly. The Japanese Association of Economics and Econometrics gave its full support to the 1995 world congress of the Econometric Society held in Tokyo, and did not hold a Far Eastern meeting. (Ikeo ed. 2000, chapter 1)
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