Professor Hadley, could we begin by learning something about your background, where you were born, where you grew up, your early education, the most important influences on you?

EMH: Yes. I was born and grew up in the Pacific Northwest and lived in Seattle until I left in 1934 to enter Mills College. The West Coast, I think, was considerably more conscious of the Orient than the East Coast. I had had a great-aunt who had lived for a couple of years in Yokohama, and at the time of the great earthquake, my father, who was a civil engineer, was sent out to study earthquake damage on different styles of building construction.

I myself became involved with Japan in 1935 when Virginia Poisle Rusk, who had gone out to Japan as the Mills College delegate in 1934 to the first America/Japan Student Conference, asked me if I would help her in her responsibility for hospitality to the Japanese students in Seattle in 1935. And I participated in chauffering, which I so much enjoyed I then went down to the conference at Reed College, the second conference. And that following year
I went out to Japan as the Mills College delegate, and that is how it all began.

Q: At that point you hadn't chosen a major at college?
EMH: Yes. I was Politics, Economics and Philosophy, which was an Oxford major that Mills College had adopted at the same time it acquired Dean Rusk.

Q: What were your experiences like when you went out to Japan?
EMH: Yes, in 1936, July it was only four months after the 2-2-6 incident, and most of the students at the conference were very reluctant to discuss the episode at all. It was only the late Matsubarasen, who subsequently became a journalist, who had the courage to really talk about--I shouldn't say maybe the only person, but he stands out in my mind as the person who could talk about the incident and his interpretation and so on of it.

Q: Did you travel very much?
EMH: Yes, we were from Tokyo down to the Kansai, Hiroshima, down around Kyushu, and then back through the Inland Sea and back to Tokyo.

Q: What sorts of people did you meet on this tour?
EMH: Primarily business, chambers of commerce, that sort of thing that we were entertained with, I guess would be correct. This was students in Japan, American students, but in terms of who entertained us, it seems to me, it was maybe business groups.

Q: Do you remember this as a very pleasurable, very enjoyable experience?
EMH: Oh, immensely. Fascinating, fascinating, a fascinating experience. And of course it was out of that experience that I came to know Professor Sugimori.
Kojiro. And it was really he who was responsible for helping me get this fellowship from the Cultural Bureau of the Foreign Office, which is what took me out to Japan when I graduated.

Q: I see. Was this something that you decided to do in your senior year at college? You heard about this grant, and you wanted to go back to Japan?

EMH: Well, it was that I wanted very much to go abroad when I graduated, and a fellowship was indispensable to going abroad. And this was partly supply/demand and partly accident. The accident side, my French was mediocre and my German nonexistent, which certainly affected fellowship opportunities in Europe. And also, I guess, on the accident side of having been to Japan, not China, but in terms of supply/demand, feeling that in terms of Far Eastern specialists, there were far more specialists on China than Japan so that it maybe would make sense, if I were going to be Far East, to be Japan.

Q: So you already had the idea of a career that would be associated with Japan or Japanese-American relations?

EMH: Yes, when I went out on graduating. Yes.

Q: And what was your specific interest at that time in going to Japan? Were you going to be a graduate student at a university?

EMH: Yes, except that I had no language in me at that time, and I began in a very pennywise and pound-foolish way with the language instruction which came with this fellowship. My fellowship was 150 or 160 yen per month, and Nogunuma, who was the language instructor for the Army, Navy, and Foreign language Service/officers at our Embassy, was exactly the price of my stipend. And accordingly, as I say, in a most pennywise-pound foolish way, I took the free
instruction that came with the fellowship, but that meant beginning Japanese
with a six-year-old child's lessons and geared to a six-year-old child's
interests and psychology and so on and so forth. So I learned about
Amaterasu and so on and so forth.

Q: What was your routine like in Japan at that time? You stayed one year, two
years?

EMH: A year and a half, and I lived at the Bunka Apato there at And the
routine consisted of three hours of language instruction in the morning, and
then I usually, I guess, went up to Shingaku, which was a sort of a little
village in that era, for luncheon and then spent the afternoon studying. I
did finally achieve the privilege of using the Tokyo University—Tokyo
Imperial University, as it then was—Library and not having been at all
exposed to the East Coast of the United States, I regarded Japan as dread-
fully medieval in having a question about accepting a woman.

Q: Were there very many other American students in Tokyo at that time?

EMH: No, very few, and in the period September 1938 to March of 1940, the American
and British student adult population went down and the German student adult
population grew. And it was extremely odd in that period to have an interest
in learning the language. I thought if anybody else asked me why I was
studying Japanese, I would slowly ascend.

Q: Did you have quite a bit of opportunity to meet Japanese students and Japanese
people? Was there much opportunity for social life?

EMH: Yes. Professor and Mrs. Sugimori were most kind in welcoming me to their
home and to English-speaking persons. But since I was so utterly incapable
of handling the language at that time, that of course was limiting.

Q: Did the increasing tensions between Japan and the United States have any effect at all on how you felt or the atmosphere surrounding you in Japan?

EMH: Pretty much. It certainly was very clear. I spent the spring of 1939, spring vacation of 1939, in Shanghai and up to Nanking and then that summer on the continent. And Japan began its anti-British, anti-United States campaign on the continent and then after it went well on the continent, brought it over to Japan. So I had a prevue, and I think the only time I had any feeling of physical fear was maybe January 1940 when I was going to an Asiatic Society meeting at the British Embassy--Sir George Sansom was speaking. And I got out of this cab with this milling mob in front, "Down with the British," and naturally I was taken to be British. I felt infinitely relieved when I got through that mob and inside the Embassy gates.

Q: Did you have time to enjoy yourself in this period and immerse yourself in Japanese culture?

EMH: Oh, it was really a difficult adjustment from undergraduate spoon-feeding to land in a culture as different, and then of course at a time when political tensions were just starting to build, accumulatively build. I sometimes thought the only thing that was similar between the world I had known and the world where I was were the heavens. I could look up at night, and there was Orion and the Big Dipper and so on and so forth, but nothing else really seemed the same. Psychologically, it was a difficult thing. I recall in--let's think--it was the summer of 1939 when I was going from Korea to
Mukden, I met a Catholic sister who, very exceptionally, was traveling by herself from the little border town on the Korean side there of the Yalu River. And here she was, really radiantly happy, and I couldn't help but contrast it to all the kind of growing up pains and adjusting pains through area, which I was going. Here I was in a large metropolitan area, with all the richness that a large metropolitan area provides. And here she was in the middle of nowhere, being a pharmaceutical nun and the problems which she was endeavoring to cope with, skin diseases and all the rest of it, were really cured and then repeated, and you'd go through cures and the whole thing all over again. And it was a very striking experience of someone who had so successfully adjusted herself to living in a quite different culture.

Q: What was Tokyo like in 1940, you as the outsider observing the Japanese? Was it rather austere there or did you get the impression that the Japanese were very much caught up in the war effort in China?

EMH: Right. Living conditions deteriorated in the year and a half that I was there. The first winter I thought was cold, but it was just really the difference between an American's conception of how to deal with winter and the Japanese. But the second winter the coal shortage was very severe and gasoline shortages. On the buses they used charcoal-burning buses which broke down repeatedly. And Japanese goods, Japanese stockings were made out of staple fiber which were of such poor quality, one of the minister's sons, just walking around a room, a tatami room, managed to develop holes in his stockings out of this wretched staple fiber that they were selling.
So the whole really consumer level of living was on a downward path in that year and a half.

Q: Would you describe yourself while you were in college and then when you went to Japan as someone who was very interested in politics?

EMH: No, I guess more abstractly, I guess I would say international relations. I was very active in things international. But in terms of a political consciousness, I must say I managed to get all the way through graduate school without any. It wasn't until the wartime years in the Department of State that I began to comprehend the meaning of--to use our two tags--Republican and Democratic. It really wasn't until that period.

Q: So you had no special feelings about President Roosevelt or New Deal America? You were growing up in a depression period.

EMH: Right, with parents who divided, my father highly critical and my mother very admiring. So that I guess I--well, I don't know. I was about to say ostensibly a Democrat, but I'm not sure whether I was even ostensibly a Democrat in that period.

Q: Under what circumstances did you leave Japan and come back to the United States?

EMH: Well, there were personal circumstances attaching to the departure, but also Joseph Clark Grew was urging any American who didn't have actual need to be in Japan to return. So it was a combination of the personal with the Ambassador's urging.

Q: And when you came back, did you go into graduate studies in the United States?
EMH: Yes. I spent a year at the University of Washington, 1941, and then went back to Radcliffe/Harvard, the fall of 1941.

Q: Where were you when you heard about Pearl Harbor? What were your feelings?

EMH: Yes. That Sunday in Bertram Hall, 53 Shepard Street, Cambridge, Mass., it really was just stunning. It was just really unbelievable. While I guess I had thought we seemed to be increasingly on a collision course, I did not imagine the collision occurring by Japan managing to sink most of the Pacific Fleet in the harbor.

Q: What happened to you then once war was declared?

EMH: I remained at Harvard that year and the following year. Ruth Amandie Rosa, who was a very close friend, the wife of Bob Rosa, who later was Under Secretary of the Treasury and partner in Brown Brothers Harriman, she came down to OSS /Office of Strategic Services/ in 1942 and urged me very much to come down at that time. But it seemed to me that maybe it would make better sense to get through my orals before leaving. And so I stayed to finish my orals, which was I guess in August of 1943, and came down to Washington in October 1943 to OSS.

Q: I should have asked when you began your graduate studies, were you still interested in politics, international relations? Or had you shifted into economics?

EMH: Yes, I shifted to economics because having been in Politics, Economics and Philosophy, I thought economics—I thought I had better be one. And between economics and politics, I thought classroom presentation would be more indispensable to getting aboard economics than classroom presentation
to getting aboard political theory. So for that reason I selected economics.

Q: What was the economics curriculum like for you at Radcliffe, and did you have any particularly outstanding professors that you remember now?

EMH: Oh, good Lord, yes. It was a magnificent department, and Professor [name] certainly one of the greatest; I think I might say the greatest person under whom I studied in a collection of very great persons. But Professor [name] and Professor Mason and in Japanese language, Professor [name] and Professor Reischauer. But I guess Professor Mason, in terms of influencing my thinking and the vividness with which he remains.

Q: Were those theory courses or economic history courses?

EMH: Yes. I had Professor [name] exceptionally for— I guess I had him for a semester of Graduate Theory and for a year of Money and Banking. Alvin Hanson was the person who did Money and Banking, but at that time, my second year there, he was down here in Washington. In Northampton, Massachusetts, in 1960, maybe the fall of 1960, when he was a visiting professor at Smith, he said to me, "You never took my course. Why didn't you?" And I said, "Because you weren't there to teach it."

So Professor Mason I didn't come to know until I was back doing the dissertation in the field of Industrial Organization. Professor [name] and Professor Reischauer were in language.

Q: You had continued your interest then in Japan and the Japanese language?

EMH: Yes. I had done a year— I mean one course, over a year— at the University
of Washington, which was an improvement over the that I had had in Tokyo. But I said, how many times, to Professors and Reischauer, never had they had anybody on their hands so grateful for excellent instruction as I.

Q: How did you happen to be recruited for work in the OSS or wartime work?

EMH: Because Washington was, of course, very short on people who had a Japan background. And Burton Foz, who headed the Far Eastern work at the OSS in the Research and Analysis branch, came around to different campuses recruiting. I guess it was a combination of formal recruiting efforts and then Ruth Amandie Rosa, who was already down in OSS.

Q: Could you describe a little bit the organization of R and A, the people who worked in it, and the level of expertise on Japan and East Asia?

EMH: Yes. Really the OSS, I look back now. Night before last on "Lehrer McNeil", Walter Levy, he was one of my colleagues; Ed Martin, one of my colleagues, distinguished person after distinguished person, such a collection of talent that was drawn together there, simply unbelievable. One looks at the collection of talent in that group, an ordinary government office, and there is just no relationship. It was simply fantastic, the proportion who became nationally and internationally known.

Q: What sorts of things did they assign you to do?

EMH: Wooden shipbuilding was my initial assignment, and I think whoever put me on wooden shipbuilding would have been happy with considerably less of a certain dogged determination and an insensitivity in my first
employment that one took these suggestions from those above one in the
pecking order more seriously. I pursued every single wooden shipbuilding
yard in Japan and Japanese occupied areas. And it was that from which I
was graduating when the Department of State came in need of somebody.

Q: Could I ask what kinds of sources you had to work with when you did your
reports for OSS?

EMH: Right. The Research and Analysis Branch was the respectable part of OSS.
I believe it was one of six branches. So that OSS had its own intelligence
sources out of covert activity from its other branches, and in occupied
areas one would be in receipt of OSS intelligence as well as G2 and ONI
/Office of Naval Intelligence/. I think there was no such thing as A2
at that moment in life. China had intelligence that it was sending in.
I think in my entire wartime experience, it turned out that I never once
had the experience of a Chinese bit of intelligence proving reliable,
not once. But there was a lot of Chinese intelligence coming in. So it
was United States Military, Paramilitary, which was the primary source.
And was it in 1943—when did we do our first raids? I guess 1943 the
first raids on Japan, and then out of those first raids we began to get
aerial photographs. So then one could work from aerial photographs.

Q: Do you remember any other projects particularly in that period besides
wooden ships that you were put to work on?

EMH: No. I think I spent a whole year on wooden ships, just as Ted Cohen and
Stanley Namur spent a year on power plants. It was the vacuum cleaner
approach to research.
Q: Under what circumstances did you move then from OSS into the Department of State?

EMH: You see, I finally finished this exhaustive study of wooden shipbuilding and therefore I was ready to be reassigned to something else, and my being ready to be reassigned to something else chanced to have coincided with Walter Rudolph, as I recollect, coming over to OSS to ask if it would be possible to borrow somebody for a research policy paper which the economists were going to prepare.

Q: You were loaned to State then or transferred to State?

EMH: No, I was lent on a three-month loan, and I think I went over in October. Then shortly before the expiration of that three-month loan, I transferred to State. I should possibly throw in, with reference to what sources did we use and all, that that year 1943/1944, I guess the spring semester, I did teach a course.

... under Air Force auspices at the University of Pennsylvania on target analysis from an economic point of view, what made good targets in terms of the ramifying economic consequences of putting them out of order and what made more superficial targets. This of course both had to do with the speed with which something could be repaired and the ramifying consequences. And I suppose I should also mention in that OSS year the shock it was the day I learned that we were about to embark on a program of burning up Japanese cities, men, women and children.
It had been the convention, of course, up to World War II that it was combatants who were the targets of military action. But because of the dual nature of Japan's economy and what was believed to be the scale of production in small work places, it was thought that the only way they could get at that was simply by incendiary raids. But it was a rather devastating piece of knowledge to realize that we were going to proceed to burn those cities to the ground, and Japanese cities burn very well.

Q: When you moved into the Department of State, did you know what kind of research assignment you were going to be given with Mr. Rudolph? To what division of the Department did you go?

EMH: Commodities Division / the International Business Practices Branch. And all I knew was that they wanted to have a paper prepared on corporate organization in Japan. And I may say that the economists had already reached all of their conclusions. What they wanted was someone who would supply them with the chapter and verse to show that their conclusions were well taken. So I was imported for that purpose.

Q: Were you much involved in general questions pertaining to post-war planning for Japan? Or were you specifically involved only in economic questions? To what extent was there exchange in the Department of State among all of the various planners?

EMH: Yes. I did at this bottom working level participate in the economic section of the basic directive. But I did not participate in the political or the financial. Financial was separated from economic, so it was in the economic
section, and in that I did participate, but not the other two.

Q: When you came into the Commodities Division, were you at that time aware of any friction between the economists and those who were in the Interdivisional Committee on the Far East in the political or Japanic sense?

EMH: Oh, indeed, because this was the whole reason for importing me, that the Area Desk wanted to take positions which really would have made no fundamental change whatsoever, and the economists in the International Business Practices Branch very deeply believed it was indispensable to the national security interests of the United States that change be made. And so since that was the entire rationale for borrowing me, I was necessarily aware of the fact that there were sharp differences.

Q: You said that the economists had already come to their conclusions. What were those conclusions, and who were these economists?

EMH: Right. Bob Tirrell, who was the chief of the International Business Practices Branch, and Walter Rudolph, Isaiah Frank, had spearheaded the work within the Department with respect to Germany. And they had worked through their conclusions with respect to Germany, and they expected to apply them with similar force and effectiveness to Japan. But given the paucity of people in the country who knew anything about Japan prior to World War II, it was unsurprising that they had nobody on the staff who was familiar.

Q: With whom did you work, and how did you go about researching the topics?

EMH: It was naturally a bit of an adventure to try to do a paper on the zaibatsu, in the United States in 1944. I worked under Walter Rudolph, and my recollection is that major parts of the research policy paper were done from a
corporation directory which, by contrast to the types of information available in the post-war period, were skeletal. The zaibatsu basically took the attitude that they needn't reveal anything of their pattern of organization to the public. So a corporation directory in that period gave only the most skeletal amount of information, but as I recollect, it was that corporation directory which was really the basic resource of that paper.

Q: Were you assigned initially to work on a civil affairs guide? Or you were assigned to work on a paper about corporate organizations?

EMH: Well, yes, there was confusion in that regard, I guess, because originally--there was a civil affairs series being done, I think, in the War Department, under War Department direction. And originally, I guess, there was talk of this being a Civil Affairs Guide. But with events in 1945 moving as rapidly as they did and an awareness coming through that we simply--not withstanding the Army and Navy Language Schools--simply did not have enough persons, Japanese-speaking, to attempt civil affairs government in Japan, the decision was made that we would use the instrumentality of the Japanese Government. And there never was a civil affairs handbook on the subject of corporate organization, though the one on banking was really a very elegant, very beautiful job which I find myself going back to even now from time to time.

Q: Did the creation of SWNCC /State-War-Navy Coordinating Committee/ and the Subcommittee on the Far East at all affect the kind of job that you were doing?

EMH: No. It simply became the consumer of the research policy paper. So it was
in a sense perhaps initially—I'm fuzzy in my memory—perhaps initially I
was borrowed with the thought of a civil affairs guide. But then with events
evolving as they did, it became the working level of the State-War-Navy
Coordinating Committee, which became the consumer.

Then there was this rather awkward and ill-defined relationship between
SWNCC and the Cartel Committee, which was a wider interdepartmental committee
and with different departments than the State-War-Navy Coordinating Committee
of SWNCC. So that was—I think it came about out of the fact that Bob Tirrell
in particular and Walter Rudolph, maybe his alternate, were members of this
interdepartmental committee on cartels. And because they were the ones who were
directing the Japan thing, this was also put over into that forum. But that,
I think, was maybe the accident of personality of the same individuals being
members of the two groups.

Q: Were you involved in any of the discussions or deliberations of the Inter-
divisional Area Committee and of the SWNCC Far East Subcommittee?
EMH: Yes. Maybe a point of clarification. When you say the SWNCC Far East Sub-
Committee, I was thinking SWNCC was only Far East.

Q: When I say SWNCC I mean the higher body.
EMH: The Assistant Secretary level?

Q: Yes, the Assistant Secretary level, and then the subcommittee I had in mind,
the one chaired by Dumon.

EMH: No. I'm trying to think. I guess maybe Ed Martin. I'm unclear in my memory,
but the part of the working level of SWNCC of which I was a part was totally
separate, as I recall, from Gene Dumon. But he of course being on a much
higher level, I may be mistaken. I don't recollect it going through Gene Dumon on its way up to the top.

Q: In the spring and summer of 1945 as the war was drawing to a close, how far along had you got on this paper about corporate organization in Japan?

EMH: I guess the paper may not have been finished until October or November or something of that sort. But since as I mentioned earlier, the economists had all of their conclusions before even importing me, that was not a serious handicap to their taking the positions that they took in the economic section of the basic directive.

Q: Were you involved in preparing any of the material that ultimately became the economic passages of the presidential statements, SWNCC 150/4 or the directive that went out to MacArthur, the more detailed directive of early November 1945?

EMH: Yes. I guess the dissolution of the combines might be said to have grown out of the paper, but I repeat that since Tirrell and Rudolph, with Corwin Edwards as a consultant to the group, knew their conclusions, while the paper and that section may have a one-to-one relationship, it was that they knew the conclusions before the paper.

Q: Perhaps the thing we should be talking about then is those conclusions. What were you presented with, and did you find it difficult in doing the research to back up those conclusions?

EMH: Yes. Their conclusion was that giant enterprise is inherently anti-democratic, and it was this experience which brought me some political consciousness. It was my introduction to the political dimension of life. I did find certain phrases slightly difficult in that era. We were always talking about Japan's
"program of aggression." I was not, within myself, altogether sure that it was a program of aggression rather than aggression which kept happening. But I came to share without difficulty the thought that business as giant as Mitsui, Mitsubishi, Sumitomo, Yasuda etcetera was inherently anti-democratic, and that if we did wish to promote democratic forces in Japan, it was essential that a change be made there.

Q: Where were you when the war came to an end? Do you have any vivid recollections of V-J Day?

EMH: Not as vivid as I do of Pearl Harbor Day. I was on vacation in the Pacific Northwest in the San Juan Islands.

Q: When you were writing your report on corporate organization and were functioning at the working level, did you have any relationships with people in the War Department? Was there an exchange of information? Did you get OSS material?

EMH: Right. Because at the working level, the working level consisted of three groups: War, Navy, and State. So I had direct working relations with War and Navy.

Q: At that time as the war was coming to an end, did you hear talk in the Department about the resistance of the Japan people, the Japan experts, to a deconcentration program or their resistance to a harsh peace for Japan?

EMH: Well, certainly I knew from the day I was imported that they resisted recommending any change with respect to the zaibatsu. And what was the most vocal point of argument which, I guess on which emotions ran the very highest of all was what to recommend with respect to the Emperor, which was not the
primary responsibility obviously of the Commodities Division and the International Business Practices Branch. But the zaibatsu difference in view was moderately moderate by comparison to the emotions over the Emperor.

Q: When the war came to an end, did you think seriously about leaving government employment and going back to your studies?

EMH: No. I wanted to go out on MacArthur's staff very much, and I wanted enormously to go out with the State-War Mission on Japanese Combines, not having got out there sooner. But in that era it was quite unthinkable to take a woman with such a group, and so I was left behind. And I was not able to get out until April of 1946 with the first group of women to enter the theatre, with the exception of Red Cross and Army and Navy nurses.

Much later General Marquat asked me why I had never accepted the invitation to become a member of the Economic and Scientific Section, and I said I had never received such an invitation. He had apparently cabled twice for me, but I never received the cables. I now don't recall quite how it was that I landed in the Government Section, but anything was desirable so long as I got out there. So I took Government Section.

Q: You mentioned the Mission on Combines. I wonder if you could say a little bit about the background of that particular mission, why it was sent.

EMH: Right. MacArthur had cabled Washington on receiving the Yasuda Plan as to whether or not—I guess that was November 4, 1945 that it was submitted to him formally. He cabled Washington as to whether or not Washington had objection to his accepting it, and it was the International Business Practices Branch which was the focal point there. There were some reservations, there
were a number of reservations on the Yasuda Plan, but in terms of what it was the feasible to tell MacArthur/Washington reply went back, "No objections, but possibly you would like to have a group of technical experts to assist in the formulation of a program." Because obviously in the very first months of the occupation, MacArthur's staff was skeletal and without such skills. So it was in consequence of the cable back to MacArthur on the Yasuda Plan saying, "No objections, but perhaps you might like to have a group of experts" that MacArthur then replied that he would. And that was the genesis of the State-War-Navy Mission on Japanese Combines.

Q: At that time, before you went to Japan, was it the feeling among the people you worked with that MacArthur was solidly behind the economic policies in the presidential statement?

EMH: Before I went?

Q: Yes.

EMH: Before I went out?

Q: Before you went.

EMH: No. I think there was great doubt whether MacArthur would be.

Q: Did the people in the Department of State think that the Yasuda Plan was as a beginning all right and they were just concerned to get technical experts out there? Or did they think perhaps MacArthur was not doing the right thing?

EMH: I think they felt that a consent decree type of action was not the most prospective way to begin. So that I guess they felt that this was an enormously technical area where one could play lots and lots of games, and naturally the zaibatsu would not be enthusiastic about being dissolved. And so one would anticipate that they would play every game that it was possible to play and
that accordingly, this was a very, very tricky area into which to be entering, and that one needed persons highly skilled in corporate maneuvers to be reviewing these things.

Q: And how would you rate the expertise of the mission that did go out?

EMH: Well, they were, for the most part, a very able, qualified group, for the most part. But they knew not anything about Japan. No member of the group had any Japanese background. Corwin Edwards had been working with, as a consultant, the International Business Practices Branch. So in terms of the research policy paper, he had been reviewing it and was acquainted with it. But I believe that was the entire Japanese background of the entire mission.

Q: So he went out with the policy paper that you had been involved in writing on corporate organization?

EMH: Or certainly he was familiar with it.

Q: He was familiar with it?

EMH: Yes.

Q: Were you kept apprized of the investigations and experiences of the Edwards Mission in Japan?

EMH: No, except that I guess—and my memory is fuzzy—I guess report came in to the International Business Practices group, which I would have seen, but those reports are not in my memory now.

Q: His mission was completed in Japan, I think, the middle of March 1946.

EMH: Correct.

Q: You were still in the Business Practices Branch. I'm just a bit unclear as to who reviewed the recommendations that that mission made and how quickly
the recommendations were translated into another policy paper. But you in the meantime were getting ready to go to Japan?

EMH: Right. The first review of the recommendations was made within the headquarters and my memory is that that was maybe a month—I'm unclear in my memory, but maybe a month to two months that review. And then they were sent to Washington, and this is an extremely curious part of the story. Was it 13 or 14 months before they were transmitted to the Far Eastern Commission?

Q: Something like that.

EMH: And then not so long after being transmitted to the Far Eastern Commission, they were withdrawn. But the striking thing is obviously in MacArthur's position he could not sit around and wait for Washington to make up its mind what it wanted to do. He had the benefit of those recommendations, and he was with a fuller and fuller staff as the months went by. And so he proceeded to implement to the best of his capability the general thrust, without in any sense feeling an obligation to implement item by item. The consequence was that the paper over which all this hot argument raged.

END TAPE I, BEGIN TAPE II
The paper over which the argument raged was considerably more extreme than the events that were taking place in Japan. So there was a rather striking anomaly there.

Q: You mentioned you didn't quite know how you got into Government Section. I'm very eager now to learn about your feelings and your impressions as you came back to Japan in early 1946, the circumstances of your getting there and what it was like to see it again.

EMH: Yes. It was most extraordinary devastation. I was billeted the first few nights in the Tokyo Kijō Building there between Tokyo Station and the main thoroughfare that goes along the Plaza grounds. The Marunouchi area was the one area of Tokyo which came through the firebombing, but at night one looked out into miles and miles of darkness. There were no lights anywhere other than in the billets of the occupation. The city was just absolute darkness at night. Americans who comprised the overwhelming portion of the occupation, notwithstanding its ostensibly international character, were very adequately provided for in that period. That is to say, one had clean billets and billets that were heated, and one worked in heated office space. But it was a scene of most awful devastation.

Q: Were you very much aware of the living problems of the Japanese themselves? Were there problems of food, sanitation--

EMH: Right, because I had so many Japanese friends, and certainly I made exceptions from time to time. One was under orders not to give any food to the Japanese, but the husband--I knew both wife and husband from the conference period. The husband came to see me in the office one day and said that Hanōko had given
birth to their daughter, but in the circumstances, the strain and all, that her milk supply had dried up and would there be the possibility of getting some milk through me, which obviously I did arrange to do. It was a very, very difficult time in just basic food for Japanese in 1946.

Q: What about black marketeering? Was it especially bad?

EMH: Yes, it was described as onionskin living as one peeled off item after item of one's possessions to sell to buy things in the black market. And there were a great many art objects and so on and so forth available for sale at extraordinarily low prices out of this effort of the Japanese to make ends meet.

Q: What was your feeling about the occupation generally, how things were going when you arrived and before you got involved in your own routine in the Government Section?

EMH: Yes, I guess I was terribly eager to become a part of the occupation. I don't really too clearly recall what my attitude was as to how things were being done. I just was immensely desirous of being a participant out there on all these policies that we had argued for months and months and months and months and on in Washington, to see their implementation/to participate in the implementation.

Q: That was your primary motivation for wanting to be assigned to SCAP?

EMH: Yes.

Q: You ended up in the Government Section. Would you say a little bit about how it was organized and how your work fit into the overall Government Section?

EMH: Yes. General Whitney took a rather imperial attitude. That is to say, all things, whether governmental or otherwise, were seen to have a Government Section
dimension. So it was quite possible for him to countenance my working on the
deconcentration policy from a perch in the Government Section, he as chief,
Colonel [C.L.]/ Kades as deputy chief. When I arrived in April 1946, it was
more a skeletal affair than it/become when I departed in September 1947.

Kades was an extremely律师 who really stood a very high chance of
being able to persuade General Whitney to his views. And in turn General
Whitney was the closest of any of the generals, in terms of policy work, to
MacArthur. So that really in a sense one needed to go through three persons
to effect policy on 70 million individuals in that beginning period. It
wasn't until I was doing research on the book that I discovered Kades had
been an alternate member of the TNEC, the Temporary National Economic Commission,
which no doubt explains why it was that he was as sympathetic as he was and as
enthusiastic as he was to measures to dissolve the zaibatsu.

Q: Did you have much to do with people in ESS /Economic and Scientific Section/
who were also supposed to pursue the deconcentration program?

EMH: Both yes and no. On the writing of the Anti-Trust, the Anti-Monopoly Act, I
did participate in a quite working, daily working sort of relationship with
the person in the Anti-Trust and Cartel Section on that.

Q: Who was that?

EMH: I have to refresh my memory. On the Holding Company Liquidation Commission
operations, I did not have any connection with that activity at all.

Q: We can insert that later. What were your immediate impressions when you
came out in April as to how the deconcentration program was going?
EMH: I guess I was dismayed, a feeling that the person in charge in the Anti-Trust and Cartel Section was not at all wholeheartedly behind it, that certain dimensions had not been considered which opened escape hatches for really effective action, and that way more push and dedication was required if this thing was going to come off.

Q: How did you go about making your contributions as a member of Government Section to the deconcentration program? What assignments were you given? Were you able to write any kinds of papers that would push the program along?

EMH: Yes. The directive which I guess came out in July of 1946 for severing the horizontal ties within the zaibatsu was the product of my first work in that area. It was not all that effectively, however, implemented and subsequently, at the time of the economic purge, which I had no part in architecting the administration of, nevertheless I was brought in for my views on which companies should be included in the economic purge.

Q: Do you have any views from the sideline about the genesis of this policy of the economic purge?

EMH: Oh, the economic purge was written here in Washington. It was part of the basic directive, and had it been implemented in the fall of 1945, there probably would have been very little argument about it. It is quite fascinating to me that certain of the features which were construed to be the most harsh with respect to the zaibatsu family members themselves were not written by anybody on the occupation staff, but came out of the Yasuda Plan which was submitted to MacArthur. James Lee Kaufman, in that famous piece
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he did as a consultant for the Department of the Army, was bitterly critical of denying zaibatsu family members. He did not realize he was only talking about the zaibatsu family members, but those were the only persons who were universally denied economic opportunity. And that, however, fascinatingly enough, came out of the Yasuda Plan.

Q: When you got out there and had a few months to be part of the Government Section and to be in Japan, did you have any new impressions of MacArthur and the top leadership of the occupation, again generally speaking and then more specifically about economic reform?

EMH: Yes, I think I came to have the feeling that MacArthur, whose background one would surely not anticipate providing any support for an economic deconcentration program, threw himself into this very wholeheartedly. I knew a great many of the press people at that time, and the press in its customary gadfly role, was being regularly critical of this and regularly critical of that. But to my astonishment, it did seem to me as if there was on basic thrust in that time period—I refer to 1946, 1947—very real support for the objectives of the deconcentration program.

Digressing, I must say it was one of the most exciting environments that I have ever—probably the most exciting environment that I have ever been in. There were people whom I had only known of by reputation who were my colleagues. And blueprinting for a whole nation is a rather heady sort of experience. And while obviously the basic directive was the policy guidance from which one took off, there was a great deal of blueprinting required between those basic policy statements and specific legislative proposals. So that it was just
enormously stimulating and exciting. I'm not at all sure that for the recipients of all this how it was, but certainly for those engaged in translating through the basic policy, it was an enormously fascinating experience. The occupation staff rather changed in character. While it was most skeletal early, it had the largest number of distinguished persons early. It subsequently was a much more routine sort of staffing pattern, but all sorts of people whom I had for years known of by reputation, as I say, turned out to be my colleagues.

Q: I know you've written extensively about zaibatsu dissolution and trustbusting in Japan, so what I would like to ask is what stands out most in your mind about your job in 1946, early 1947? Were there things that worried you a great deal? Resistance, say, on the part of the Japanese to deconcentration or resistance within SCAP itself?

EMH: Yes. I guess there was, unsurprisingly, the feeling articulated by Prime Minister Yoshida that this was a very misdirected path, and so every effort possible to get around it was sought and taken. Therefore, it was a constant checking to see what new loopholes had been invented, that sort of process. But until I left in September of 1947 and I guess really very close up to the time I left, I did have the feeling of a full-fledged headquarters commitment, even though obviously G2 was disagreeing very strongly. Nevertheless, the feeling that this was an action which was going forward and going forward with some effectiveness.

Q: Did your job require much daily interaction with Japanese officials, Japanese business people?
EMH: I don't know whether it required. I did have a certain amount of interaction. I think I was very much of an anomaly to Japanese business persons, and of course in a Tokyo summer, one dresses more casually than otherwise. And I think the anomaly was only heightened by summer attire. But it was interesting. There was a great deal of corruption by the Japanese of Headquarters Staff, typically through geisha houses. And there was this enormous problem, what to do with a woman. How did you proceed to corrupt a woman? A geisha house obviously was not the answer. The Sumitomo group on one occasion, knowing of the fact that I was planning to write my dissertation on the zaibatsu, brought me a lovely bouquet of red roses and the house rules governing holding company regulations with respect to key subsidiaries.

Q: When you were in Japan, the Holding Company Liquidation Commission was finally set up. What were your observations of that commission at the time of the Japanese membership on it?

EMH: Yes. I was critical of the—probably part of my criticalness reflected youth where one imagines that one will staff a group with dedicated persons. Later along one appreciates that that's rather unrealistic. I was critical of certain of the Japanese members of the Holding Company Liquidation Commission, but in retrospect, whether the fact that there was a GHQ participant in all of their meetings, whether that had an effect or not, I think they did a competent job, given their assignment.

Q: Were you involved in the anti-trust legislation, in addition to your concerns about breaking up the holding companies or dissolving the holding companies?

EMH: Yes, it was on the anti-trust legislation that a person's name, which escapes
me, that I actually did participate in a collegial way in the development of that legislation and then in popularizing the legislation after it was enacted in terms of speaking engagements. He and I went out on various speaking engagements as to what this legislation represented and so forth.

Q: I think that's very interesting. What sorts of groups did you speak to?

EMH: Business groups.

Q: And in quite a number of cities in Japan? Or mainly in Tokyo?

EMH: Yes. I somehow have the feeling maybe it was three or four engagements, and probably Tokyo and Osaka, though it is fuzzy in my memory.

Q: Do you recall the kinds of questions, if there were any at all from the Japanese when you talked about anti-trust legislation? Did they understand what this was all about?

EMH: No. This was an approach utterly alien to Japan, and I don't know that our expositions even so much as made the first scratch on the surface. But certainly over the years, with certain dedicated staff members of the Fair Trade Commission, the enforcement body, and certain academics, anti-trust did take root in Japan. It has grown and Japan even strengthened its anti-monopoly statute in 1977.

Q: During this time when you were busy with deconcentration and anti-trust legislation, did you also have an opportunity to see more of Japan and meet many more Japanese, as well as renew your pre-World War II acquaintances?

EMH: Right. I did visit a great many of my friends. I recall so many of them, of course, were from the student conference period. I remember being at one home, a very well-to-do home, where all that remained were these beautiful
flagstones which my friend's father had brought from Korea, and the godown. There was the steel skeleton of the conservatory where he had grown our orchids. Other friends out in Chibashi, which was an adventuresome train ride.

Q: How were the trains in those days?
EMH: Well, they did get one there, but simple. They lived, I think, both husband and wife had come from—I know the wife had come from a very well-to-do home—I'm not sure of the husband's family background. But they were living in a little structure that probably wasn't very much more than 12 feet by 12 feet with their daughter, in extremely simple circumstances. I came to know a number of Japanese for the first time. Haru Matsukata, who subsequently became Mrs. Edwin Reischauer a few years after the death of Professor Reischauer's first wife, I used frequently to go down to one of her family's places two or three hours below Tokyo at Opera tsubo and spend the weekend down there with correspondents and other Japanese. I came to know Mrs. Kato, the former Baroness Ishimoto, who was very active in political circles then. And both she and her husband subsequently became for many years members of the Diet. And that was a very fascinating experience. It would be very unusual for a woman of a very economically privileged background who had grown up, nevertheless in very conventional terms as a woman to marry a union leader. But in her case the Baron Ishimoto, who was with the Mitsui Mining Company, her husband had ordered/to become interested in social problems. And the only trouble was that they took on her, and as he rose in the Mitsui Mining Company, he became less interested. And finally she married the head of the Coal Miners' Union.
and being in their home was such an enormous contrast, she with all this exquisite etiquette, controlled gestures and so on and so forth, and he with all the color of the leader of the mine, coal mine workers.

Q: You mentioned in passing women's issues. Do you have any reflections or comments to make on how occupation reforms affected Japanese women?

EMH: Oh, enormously favorably. My first impression of the headquarters was this delegation of Japanese women who had come to thank MacArthur for having given them the vote in the April 1946 election. The Government Section was on the sixth floor of the Dai-Ichi Building, so I had viewed this delegation of ladies who had come to thank the general for the privilege. No, it was enormously emancipating for Japanese women who were then....

END SIDE I, BEGIN SIDE II

... for the first time within that year, I guess, admitted to the universities, having been previously restricted to women's colleges with a quite different curriculum than a university, so that it was a very, very emancipating experience for Japanese women. And they were warmly supportive of the headquarters, warmly supportive.

Q: Were you, on the whole, pleased with the way the average GI stationed in Japan, the soldiers, were behaving? They were respectful of the Japanese?

EMH: Basically I had the feeling that MacArthur set a very desirable tone. There were certainly most obvious exceptions of people who treated the Japanese as scarcely fit to wipe their boots on. But MacArthur set a tone of great respect. He set a tone that to take a weakness and make of it a strength, that Japan had been defeated, but Japan would now hold the opportunity
of being a path-breaker in international affairs without resort to instruments of war. Subsequently when I was through Germany in 1948, I had the feeling of a very, very different tone to the occupation there than had been true in Japan under MacArthur.

Q: While you were still in Japan, as we go into 1947, there was the beginning, wasn't there, of this opposition to the deconcentration program, the opposition that eventually became the FEC 230 controversy?

EMH: Well, I'm not sure. Willoughby, as chief of G2, was opposed to the thing from the start. So I'm not sure that I have the feeling of any building up of opposition within Japan. Obviously, the Japanese were opposed, that is to say the zaibatsu group and Prime Minister Yoshida were opposed to it from the start. So in terms of the Japanese scene, I guess I would see the cast of characters as fairly constant in that 1946 and 1947 period, that there was no appreciable difference. The one appreciable difference in 1947, which then got carried back to Washington, was that for the first time private business people were permitted into the theatre. And the private business people permitted into the theatre in August of 1947 were appalled by what they saw, and came back reporting this to Washington.

Also of course, in 1947 the Kuomintang was not giving evidence of increasing likelihood of being able to cope with the situation domestically. And inasmuch as our entire Far Eastern policy was based on China being the foundation of it, as that foundation our Far Eastern policy began to give way, that of course began to start people thinking in fresh terms with respect to Japan.
Q: Did you meet any of these American businessmen who came over and who were appalled at what they found?

EMH: No, I didn't.

Q: This took place after you left?

EMH: Well, no, I was there in August 1947 when they first came in, and personally I was aware of their coming in in terms of Japanese business people who were coming to see me on one thing and another who were made job offers by these persons. And so it was in that sense that I was personally aware, but I was not otherwise.

Q: Were you sent copies of what came to be called SWNCC 3022, the American statement on excessive concentration of business power in Japan?

EMH: No, I was not.

Q: You were not aware of that continuing debate back at the Department of State and Department of War?

EMH: I really, I guess, I was aware of an increasing doubt. I was aware of increasing War Department criticalness toward this policy and the argument shaping up out of that. I guess that was the way I was aware.

Q: How would you assess the deconcentration program at the time of your departure in September 1947?

EMH: Well, it was just shortly before the reversal, and accordingly, the headquarters was still committed to it. It is really so remarkable to me and so suggestive of the political dimensions to the thing. MacArthur in July of 1947 ordered the dissolution of the two giant trading companies, with which directive I had
nothing whatsoever to do and knew nothing of it until it was announced. I don't think anybody in—any staff person; I don't speak of General Whitney. But no staff person in the Government Section knew anything about that. That was the most drastic action that was taken in the entire dissolution program, the dissolution of two operating companies. Previously and subsequently, only holding functions were dissolved, though there was reorganization of operating functions. But here was dissolution of two giant operating companies. There wasn't a murmur of criticism, not a murmur of criticism on that point by all these business people who came back with these alarming tales. Whereas this deconcentration of excessive economic power which was before the Diet in December of 1947 was held up as the most awful piece of legislation, and that legislation was proposing far less drastic action than MacArthur took with respect to the two trading companies.

Q: How do you explain these charges that certain members of SCAP in the occupation were radicals or they went too far in social experimentation? Did these charges come from Japanese or they came from other people within SCAP bureaucracy?

EMH: They came from within the headquarters. I think General Willoughby conducted a very unlovely campaign. Not being able to defeat the program on the merits of the program, he proceeded to impugn the loyalty of those who were engaged in the program. And I think it was simply a matter of advancing himself to the number one position in displacing General Whitney from it. General Whitney was a very conservative person in all his political instincts, left to his own devices and not being in the hands of Colonel Kades, a very conservative person. General Willoughby goes so far in his book, The Unknown Occupation of Japan
which is only in Japanese, to suggest that he too was a "pink." So the Japanese were delighted to pick up these things from the headquarters, and obviously this gave them then ammunition with which to contest.

I recall one of my friends coming to me from an interview with counterintelligence where the counterintelligence—I guess there were two officers who had interviewed this friend—tried to get this friend to say that I was a radical. And this was back again and again and again on this theme. Didn't she show signs? Didn't she do this? Didn't she this? in an effort to have my friends so describe me. They were so troubled by the interview and being of the decentness that they were, they came and told me about it.

Q: What did these interrogators mean by radical?

EMH: Oh, this was of course just prior to the outbreak of the McCarthy Era. Radical could be believing in the dissolution of the zaibatsu. Radical could be supportive of Anti-Trust. Radical could be, I don't know. It didn't take very much to be radical.

Q: Was there some confusion perhaps about the place of competition in a capitalist form of organization and the origins of anti-trust legislation in the United States, let alone Japan?

EMH: Not confusion, total ignorance. I suppose the way they got themselves into their very extraordinary position, anti-trust being as American as apple pie, was that the Soviet Union endorsed action against the zaibatsu. Ergo: even though the United States Government, the State-War-Navy Coordinating Committee, the Joint Chiefs of Staff, the President of the United States, had ordered this, if one was taking action in support of a policy which the Soviet Union was also
endorsing, then one was suspect.

Q: Why did you decide to leave Japan in 1947?

EMH: Because I had a fellowship from the American Association of University Women which had been given to me a year earlier and which General Whitney was quite sure he could get postponed for me, even though they always were set up with alternates and if you don't use them, it automatically goes to the alternate. But General Whitney wrote them a letter saying that he knew—he was speaking for MacArthur, that I was a rather rare soul who had background on Japan and was very helpful, and would they not consider in this case making an exception. So they held this fellowship over for me for 12 months, and I accordingly left in September 1947 to take up the fellowship.

Q: Did you manage to stay in touch with the deconcentration issue? What I'm wondering is do you think that there was a real reversal of policy ultimately or a reversal of a policy statement as opposed to a policy that had been carried out in 1945 and 1946?

EMH: Oh, I think it was a reversal of policy and really the article I did in the July 1948 Harvard Business Review articulates that position. And then the article I did in the Far Eastern Survey, December 1949, further articulated that point of view, a reversal of policy. And I think, very basically, it was that with the collapse of China, this was a case of the War Department assuming a much bigger position in the postwar peace role that with the foundation on which this whole policy had been founded crumbling, then we promoted Japan from ex-enemy to partner, and as a partner one doesn't propose to remake. You simply accept.
Q: It would be your argument then that considerable change was made or some change was made in the Japanese economic system as a result of the early economic policies?

EMH: If you were to take my articles in 1948 and 1949, I was ready to have every-thing go down the drain. But with greater maturity and advantage of greater retrospectiveness, I would say that in my view we did make substantial change, and we made substantial change in the right direction, and that the Japanese people, the Japanese economy, and the United States all benefited from it.

Q: What do you think have been the major misunderstandings about the book that you've written or the points that you're trying to get across? Has there been some confusion about that, some misunderstanding as to the dissolution of holding companies or level below the holding company?

EMH: Yes, I think--I don't know particularly with respect to the book, but I think the overwhelming American impression is that nothing has changed. There was Mitsui then, and there is Mitsui now; Mitsubishi then, Mitsubishi now, and a lack of appreciation of the difference between a Mitsui being headed in a holding company, with a family on top of the holding company and very tightly held and tied again and again and again for effectiveness of controls so that the thing is really a monolith versus the postwar Mitsui group or the Mitsubishi group, which were relatively loose confederations by comparison to the prewar. So that I think this is the very widespread misapprehension.

END OF INTERVIEW