Q: Professor Vernon, in interviewing Americans who were involved with the occupation of Japan, I have been very interested in finding out about their backgrounds and when they first became conscious of Japan, whether the war or something else or part of their earlier education. So I would like to know where you were born, something about your family and your early education.

RV: Good. Well, I was born in what is now one of the most noisome slums of New York, the South Bronx, Southeast Bronx actually, of immigrant parents who'd migrated here from Poland and Russia about the turn of the century, about 1898 or thereabouts. And I had the characteristic career of kids of that generation. I went to public school, City College, and as remote from anything about Japan and the occupation as you could conceivably imagine. I graduated in what is the real depths of the Depression in February 1933.

Q: What did you study at CCNY /City College of New York/?

RV: It depended on the job I was looking for what I studied, but I thought of myself primarily as an economist and statistician with a leaning toward finance. And my first jobs from 1933 to 1935, which were acquired
in curious ways, were working for the National Bureau of Economic Research for a then famous professor, Wesley Clare Mitchell, and a young man called Arthur Burns and also working for an advertising agency at night, a dichotomy that has persisted throughout my life. I had my first sort of job with long-term prospects at the Securities and Exchange Commission beginning in 1935 and in 1941 was faced with the question whether to remain in Washington when the war broke out with a war agency or to go with the Securities and Exchange Commission to Philadelphia. Now the war agencies were being staffed in the way in which everything is staffed in an emergency. People were bringing their friends in to jobs, and I hovered mournfully on the edges of the hiring systems without any particular contacts of any sort and then concluded that I had better go with the SEC, which I did. But it was a decision which I regretted all through the war.

I managed to worm my way into wartime activities by volunteering to write civil affairs guides, and that was my first contact with Japan. I wrote that portion of the Civil Affairs Guide for the Military to be used in the occupation which covered the subject of the capital markets and securities markets of Japan.

Q: And it was done while you were still with the SEC.

RV: Still with the SEC during the war.

Q: Because I've been very interested in how those guides were farmed out, to the FEA /Foreign Economic Administration/, for example; to OSS /Office of Strategic Services/.

RV: That portion of the guides was farmed out to the Federal Reserve Board.
And the Federal Reserve Board in turn rounded up specialists wherever they could find them on the principle that in the Valley of the Blind, the one-eyed man is king. I was the only available person for writing on Japan.

Q: Was that 1943-44?

RV: Thereabouts. My principal source, amusingly, was a book in French written by the Thai Ambassador to Japan who, in some strange way, having nothing better to do, had written what turned out to be a remarkably accurate book on Japanese securities and capital markets. I know that from subsequent observation when I was there.

Q: Could I backtrack just a little bit? You mentioned graduating in the depths of the Depression, and of course this was the /President Franklin D./ Roosevelt Era and the New Deal Era. And since you are an economist, I would like to know how you felt at the time about Roosevelt's economic policies and various policies answering the problems of the Depression and whether you were indirectly or directly all involved in the controversy about bigness and business concentration.

RV: Well, I was deeply involved in the regulation of securities markets, and when I left the SEC in 1946 I was in charge of the regulation of securities markets, which bears peripherally on the bigness issue. It isn't central to it, but it does bear on it. Well, I was an almost classic Roosevelt liberal. As a matter of fact, I don't think it ever that occurred to me there were any alternatives. It was not a profound philosophical decision beat out through numerous seminars in great universities or anything of that sort. It was the near inevitable
reaction of a kid raised in New York in the Depression who was not a Communist. Almost the only alternative was Roosevelt liberalism. It was an extremely naive—perhaps that's inevitable and perhaps universal—adherence to a philosophy with only the most limited historical perspectives and the most limited sense of choice. So one dutifully knew what side he was on in the Spanish War, one knew what side he was on in everything. The areas of debate lay around the role of the Soviet Union. What was the point at which you began to spit in the eye of the Soviet Union? The characteristic point of open hostility was when they invaded Finland, and that separated the men from the boys in those days or the doctrinaire leftists from the New Deal liberals.

On the subject of anti-trust, I was just a simple-minded Wilsonian Democrat, a Brandeisian who essentially had no real sense of business history or political history. I was unaware of the strength of alternative philosophies in Europe or in Japan.

Q: Did a kind of suspicion of big business go along with this Roosevelt liberalism? Or what would be the best way to articulate those feelings you described?

RV: Describe the feelings of whom?

Q: Describe the feelings about business or businessmen in the United States and anti-trust prosecution of monopolies or concentration of business powers.

RV: What would be the best way of describing them?

Q: Yes.

RV: Describe my reactions to them?
Q: Yes. If you called yourself a classical Roosevelt liberal, what feelings about business go along with that, from your perspective?

RV: What feelings about business?

Q: Yes, and bigness in business.

RV: And bigness? Oh, it's a clear antagonism to bigness in business. The only thing that saved me from crusading reaction was that fundamentally I've never been a crusader about anything. There's been enough alienation from almost every "I believe unequivocally in this kind of thing" so that I was marginally saved. But you know, I could read the T&EC reports and feel, "Yes, yes. This is about the way I feel." And you know, the people such as Rexford G./ Tugwell and Keyserling and that sort of group represented something like the center of gravity of my thinking.

Q: We mentioned CCNY but you also went to Columbia.

RV: Yes, but my Columbia affiliation is of trivial importance. I got my doctorate there, but I got my doctorate in a very curious way. I was working fulltime from 1933 to 1935 and going to late afternoon and evening classes at Columbia. In 1935 I decamped from New York and went to Washington, and the only other credits I ever took at Columbia were in a summer school in 1938/39 in order to complete my residence credits. All my other doctoral credits were taken in Washington at American University and the Department of Agriculture graduate school and GW /George Washington University/. And I wrote my thesis while I had a fulltime job. It was a very peculiar way of getting a doctorate, but in any case, when I stood for my orals, I faced four professors
only one of whom I knew.

Q: So then the curriculum at Columbia isn't that particularly important in initiating your conclusions?

RV: It's of no importance. No.

Q: You mentioned the Soviet Union and Finland. What about prior to Pearl Harbor, your Japan consciousness, what Japan was doing in Manchuria or what Japan was doing in China? Was that very peripheral?

RV: Quite peripheral. I think I could have recited the main facts at the time, but any real understanding of either Chinese history or Japanese history or the relationship of the two and the relationship of both of them to the Soviet Union or Czarist Russia was sort of formal information that wasn't in my glance. And I was an innocent.

Q: So the first time you really thought systematically about Japan would be doing this Civil Affairs Guide?

RV: Well, the first time I thought systematically about Japan, the first time I thought intentionally about Japan—systematically is another question—was when my brother was in the Reserves and he was mobilized about a year before Pearl Harbor and he was on Bataan, Corregidor, the Death March, three and a half years in prison camps. He came out okay at the other end, but there was some intensive, passionate and not very well balanced thinking at that time. So my first academic exposure to Japan is through these lopsided, distorted prisms of someone who's writing about their capital and securities markets, which is kind of a mechanistic thing. I mean, you can write about capital and securities markets and not know anything about the civilization you're writing
So then eventually Corwin /Edwards/ was trying to assemble his team for Japan. I didn't know Corwin at the time, but he turned to the Securities and Exchange Commission and asked for a specialist in the subject. They offered two other people before me, neither of whom could go. And then they began scraping the bottom of the barrel and they got to me, and I said yes I would go. I had been frustrated by the fact that I had nothing to do with the war. I was 4F. I had tried to get into--Alger Hiss had interviewed me to act as economic liaison with in North Africa, and I'd been virtually accepted for that job when in one of these wartime reorganizations, I'd lost that too. So the war was a period of terrible frustration for me. This was, of course, after the war that Corwin was doing his recruiting. And I was absolutely thrilled out of my wits to have been accepted for the job. And of course then I started pushing out my antenna to see what the hell, what are these people all about. I read the usual then-available things; Ruth Benedict's book, I guess, was one of my early readings. I simply crammed every written scrap of material that I could find on the structure of the Japanese business and governmental system.

Q: Do you remember any of the other authors that you might have read at this time, for example Thomas Bisson I think was beginning to write.

RV: No, I don't. They gave us a bundle of briefing materials.

Q: Who did this? Was it Edwards himself or whoever was behind the appointment of Edwards?

RV: I don't know that, someone. It conceivably was Henry Owen.
Q: I see.

RV: It's conceivable because Henry was in on this very early. I didn't get to know Henry until later.

Q: So you being with the SEC wouldn't at that point have known very much about--

RV: I knew nothing.

Q: --the origin of the anti-cartel policy for Germany or the zaibatsu policy?

RV: Well, I knew, by that time yes I knew a little bit about the anti-cartel policy for Germany, nothing from the inside. I didn't know anything about Morgenthau /Secretary of the Treasury Henry/. I knew who Thurman Arnold was. I guess I knew who Corwin Edwards was. I knew about some of the big anti-trust suits, not in the detail in which I would later learn them but I knew something about them. But that wasn't my central bag. It was on the edges of my interest understanding rather than at the center of it. I was an economist who knew a lot about finance and--

Q: Did you meet Edwin Martin at that time before you went to Japan?

RV: Ed Martin?

Q: Yes.

RV: Not till later.

Q: He had just organized the Division of Japanese

RV: No. I didn't know Ed Martin or Charlie or any of those people who later became my close friends. No, I knew none of them.

Q: But it does interest me that you--
RV: All of them had interviewed me for jobs early in the war, but I was simply not on their circuit. I mean, I hadn't come out of New England or the Ivy League or something like that. And they were quite prepared to consider me for a job, but it was not the Old Boy network operating in that case.

Q: But it does sound to me as though you did quite a bit of intensive preparation before you left for Tokyo.

RV: I read like hell and I had a fascinating experience in Tokyo. I read and I absorbed, and I spent an awful lot of time while in Tokyo interviewing Japanese with a view of determining whether what I'd read was accurate and with a view of learning more material. And I began to get a peculiar pattern which ran sort of "85 percent of what you learned is dead right and 15 percent of what you learned is not just slightly wrong. It is dead wrong." I was puzzling over this more and more and I remember one day I had a brilliant nisei interpreter—I was interviewing somebody. And I said to him, "Now did you really think that the coal mines were going to produce whatever they were expected to produce," with a clear intimation in my question that he really didn't think so. And he said, "Yes." And he and my interpreter engaged in a long discussion and my interpreter turned to me finally and said:

"He said yes but of course he means no."

And I said, "Stop! Let me understand this." And then of course I realized that the Japanese habit of responding to the implication sentence rather than the sentence was throwing me off. And I went back and found a lot of my misunderstanding derived from that. It was fascinating.
Q: First I'm interested in how you understood the aims of the Edwards Mission on Combines, what your purposes were and if you had some comments about the other members of the mission, about Edwards and his leadership and how you brought your various bits and pieces of information together.

RV: I may have been the only exception to the generalization that the people on the team were all anti-trust specialists. I think I was the only exception to that. I believe that's right. They had a monolithically simple idea, with which Americans were thoroughly imbued up until about 1960, that anything we had done others would profit by doing roughly the same way, so that we were bringing the gospel to the heathen essentially. There was also the secondary theme—which I don't think we took quite as seriously, although it infected some of us in varying degrees—that big business, well the military-industrial complex being essentially in that primitive form. We had only a vague understanding of the fact that there was an old zaibatsu and a new zaibatsu and the new zaibatsu are related to the army and the army was a pretty independent force which reported to the Emperor but not to the Diet. We knew none of that stuff. We had a vague understanding that somehow the army had jiggered up some new zaibatsu because the old zaibatsu were too slow on the draw. But we on the whole, I think, assumed that the old zaibatsu were almost as militaristic, just as militaristic—the distinction isn't very important—as the new and if you had fellows like that around, it really wasn't good for a country. So it happened to coincide with our essential anti-trust
meant that orientation and the combination we were about to break up the Japanese combines just the way it said in whatever the postwar directive was, 1067 or something.

Q: Yes, 1067 was for Germany.

RV: Oh, that was for Germany?

Q: 1580 was for Japan and the final draft came November 3rd. But /General Douglas/ MacArthur knew of it in its various forms before it finally arrived. Did you have a particular assignment with the Edwards Mission in addition to thinking generally about the zaibatsu as a specific assignment?

RV: Yes, I did. First of all, each of us typically had a double assignment: a zaibatsu group and a functional area. I had the Yasuda group because they were the ones highly specialized in banking. I was the young economist in the group and I wrote most of the classified report which dealt with--not the published one but the one that later--I think it's now declassified.

Q: Yes, it has been declassified.

RV: I haven't seen it. I'd like to see how good my economics was in it. But on questions of the feasibility of selling off shares to the public and so on and so forth, the alleged economics in that writeup, well, virtually the whole text was prepared by me. So I had these two jobs. Corwin and I were really the heavy workers.

Q: Corwin?

RV: Corwin and myself, yes. The others, there were some very fine people among them. There was a professor of law from Ohio University whom I really loved, Bob somebody. He got himself killed shortly thereafter.
There was a man by the name of Sam Neal. There were others; some of them were really quite hard workers, some were loafers.

Q: There was a man from the U.S. Tariff Commission.

RV: A fine old man, Ben something.

Q: Wallace?

RV: Yes, Ben Wallace, fine old man. But they were much slower than either Corwin or myself. We were both these, you know, the frantic writing types. And with six weeks--I guess we had three months of time to work and speed was of the essence. So they largely did their own zaibatsu groups, write-ups of them, and Corwin and I rode all over the place.

Q: Did you get a lot of cooperation from SCAP /Supreme Command Allied Powers/ people, in particular the Economic and Scientific Section people? There was an Anti-Trust Division.

RV: No, there was not then. Oh, yes there was, but that was essentially being liquidated by a Ray somebody who declared the zaibatsu dissolved and went home to his wife in December 1945, Ray somebody, a name like mine. Mine's Raymond. He was from Wall Street.

Q: This is not the man who was the head of ESS and then left, Kramer?

RV: Yes, Ray Kramer. But there was no overlap there. General /William F./ Marquat was our superior. He wasn't concerned with anti-trust. He was--

Q: Did you meet him or have conversations with him?

RV: Yes, we met him.

Q: He was the acting head of ESS at that point? I know that Colonel Kramer left in December and came back--he was with Gimbels.

RV: Kramer was gone when we arrived there, and there was essentially no staff on anti-trust.
Q: I see. There was a Colonel Cupfurer whose name I keep coming across.
RV: Colonel?
Q: Cupfurer.
RV: If there was, he was of no importance. No, we came in in our ignorance and arrogance as if it were a
Q: Did you have any feeling that MacArthur was supportive of this anti-zaibatsu program, that some things were being done and that you there just to lend an expertise?
RV: At that time we didn't know. I don't think we assumed he would be hostile, though why I don't think so I don't know. The history of his role in the large, and it is really quite extraordinary, we got no hostility, surprisingly little or no hostility from the SCAP staff. Everyone was doing his thing. I mean, there were—little Ted Cohen was creating labor unions and springing people out of jail and running around, all five feet of him. And other people, Wolf Ladjinsky was changing the agriculture and someone was writing a constitution. Why should anybody object to our breaking up a few trusts?
Q: Well, that's right. The announcement about the constitution was made just about the time you were winding up your stay in Japan, I think.
RV: Yes, that's right. And occasionally we'd meet constitution makers and they struck me as being as ignorant of the culture of Japan as we were. I mean, we were wonderful little children with hearts of gold, I think.
Q: There was a James MacHenderson, too, I think who was part of your--
RV: Yes, Jim Henderson. He was part of our group.
Q: He eventually stayed with SCAP.
Right. That's right. Well, so these innocents abroad, in varying
degrees we were intelligent and we were sensitive, most of us, so we
were all fascinated with the glimpses of what we were seeing.

Q: Did you go outside of Tokyo in getting your information and talking to
people?

RV: Oh, yes, we went outside of Tokyo. Well, talking to people was quite
another problem. Corwin and I used to go on long weekend trips in a
jeep with K-rations and stumble into inns. We weren't allowed to take
meals in inns, you know. That was against the rules, so we had to
live out of our K-rations and our C-rations. We'd talk endlessly
about the culture we were seeing. I would have given my eyeteeth to
have had the opportunity then to learn the language and culture because
it was clear that the language and the culture were inseparable, that
the language was part of the culture. And ways of saying things were
absolutely critical to the content of what you said.

So while we were there, Corwin and I at any rate began to realize
the depths of our own innocence, the breadth of our own innocence.
Corwin however was committed to a much deeper degree and in a more
doctinaire way perhaps to the anti-trust concept than I. I've gen-
erally been slightly more eclectic in all these matters. Despite that
difference, he and I got on remarkably well. We recognized the dif-
ference, both of us, but we came to love each other really and worked
very well together. And that why it was possible for me to take such
a large hand in the final recommendations. So where do we go from here?

While I was in Japan I saw quite a good bit of Yasuda Hajima, the
head of the Yasuda clan, who was in his early forties then...

... and his quite incredible wife. She was busy trying to hold the family together in circumstances in which, perceived through her eyes, he could just as well have been shot the next morning by SCAP, their perceptions of the nature of their dangers, of course, being different from our perceptions of what was possible. They were constantly being bounced out of their houses from one house to another house to another house while generals took over. And of course I got all mixed up in my reactions, visiting them occasionally, getting to know their children. Whether this was an ingenuous or disingenuous maneuver on their part, I don't know. It may largely have affected my attitudes toward the zaibatsu.

But as you can see from all these things I'm saying, I left a very much less assured and surer of my ignorance and less assured of my knowledge—I guess that's the same statement—but none the less, sort of viewing a clear path, which was the path of, well, anti-trust is a good thing and we have to have an anti-trust policy that will insure that excess of concentrations of economic power do not again divert the great Japanese nation from its march into the sunset, that sort of thing.

Q: When you were there, the political purge was underway but not yet the economic purge. Did you however talk about the necessity of an economic purge along with the zaibatsu dissolution?

RV: Yes. I forget now what we—there's something about it, I think, in our unpublished, I mean in that later thing that got—do you have a
Q:  Yes.
RV:  You don't happen to have it with you, do you?
Q:  I'm sorry I don't.
RV:  When you get back, I'd be grateful if you sent me a copy. I'd like to see what the hell we did say. Could you think to do that?
Q:  Yes, I will do that. I know that Edwards thought that the purge was a good thing, but to do it on the basis of categories, just wholesale categories, was not very wise.
RV:  I don't dare try to remember what we thought and what we said in that report or whether he wrote it or I wrote it. More likely he wrote it than I wrote it.
Q:  I'm very interested in the impressions that you had of Japan and the Japanese when you first came in. You've indicated to some extent how they changed in thinking about business. But generally, what about seeing Japan for the first time and just observations on the state of the people?
RV:  Well, the impact was overwhelming, absolutely overwhelming. It was like descending on the moon. We landed at Hanada, which was a trivial little airfield, and drove through the heart of what is now Yokohama, but it had been firebombed so there was no heart. And it was the first destruction I'd seen of the war in a setting that was like the face of the moon, with all the buildings totally burned out and all the safes somehow having fallen through the floors and rusting on the ground and people living in rubble with galvanized tin sheets for the
roofs of their little huts and the stink of destroyed sewage systems all over the place, signs of the firebombing still around. The people obviously had simply accepted MacArthur as the duly constituted successor to the Emperor's authority. You had no sense of personal risk, no sense of personal hostility. You could walk anywhere in dark alleys in the middle of the night, which we did, without any feeling of being surrounded by hostile natives, another part of our innocence really. We took it all for granted. If you walked down the street on a narrow, busted-up sidewalk, the Japanese would step into the gutter to let you pass, a totally corrupting atmosphere. If you remained in that atmosphere long enough, it would destroy you.

There were black markets all around. They were not black then, they were gray. There were no rules of the occupation which prevented Americans from buying things in the PX (Post Exchange) and selling them to the Japanese—the rules came later—and that was corrupting. Resisting that was a full-time effort, and I think most of the people in our group did resist it. I don't know what else there is to tell you.

Q: What about your sense of the overall purposes of the occupation at that time, in addition to the specific aim of deconcentration of economic power?

RV: Never thought about it, never really thought about it. We would turn Japan into an Oriental copy of Anglo-Saxon civilization, with reformed agriculture and labor unions and anti-trust and progressive income taxes. Oh, they'd be slightly quaint, but how long we would be there, what the situation would be when we left—we assumed they'd be poor forever. We couldn't imagine that they would recover with the speed of
the degree that it occurred.

Q: That reminds me, you were so intent upon learning about the business structure in the zaibatsu, was any thought at that early time ever given to problems like Japan's foreign trade?

RV: Oh, yes, very much so, oh, certainly. It was clear to us that, lacking any raw materials, she was going to have to export a lot. And exporting a lot was a good thing, in capital letters.

Q: And did you tie the reform that you were involved with with the problem say of reparations and how that would affect trade?

RV: No. We assumed that our anti-trust approach was useful in connection with Japanese exports because in the absence of such an approach, they would, in our opinion, inevitably divide up markets and fail to export, if they could help it. That was kind of an article of collective faith in the group, but there our curiosity ended, I suppose.

Q: Were you actually shown a copy of the basic directive to MacArthur? You mentioned 1067 for Germany. You did read that?

RV: Oh, of course.

Q: Even before you left Washington or while you were in Japan?

RV: Oh, yes, those were part of our briefing papers, as I remember it. I can't for the life of me remember who produced the various papers. It may be that I did some searching. That's possible. But I did quite a lot of reading on--

Q: You didn't meet Eleanor Hadley at that point? She was busy working on the zaibatsu papers.

RV: No. Eleanor--I don't know whether my first contact with her was
before I left or after I got there. I think she was there when I was there.

Q: She came over sometime in the middle of 1946. It was April 1946.

RV: Well, then okay. It's possible we hadn't quite left or else we missed her. I don't know, but she soon appeared in the act somewhere.

Q: I'm very interested too if you have any impressions of General Marquat. He had a very, very large section of the occupation and he lasted right to the bitter end.

RV: He was an earnest, bluff, helpful, open, he was a good guy.

Q: And seemed open to your suggestions and recommendations?

RV: Well, we weren't at the stage of offering him suggestions. We were there to learn and to write a report, and we didn't vet the principal conclusions of our report with anybody before we left.

Q: So you left the report in Japan? Is that right? And then SCAP wrote some reactions to it?

RV: Yes, I guess that's right. I guess that is right, yes.

Q: Starting out saying that it was utopian and idealistic but maybe not disagreeing all that much?

RV: Right. And then in the succeeding year and a half, I then--when I went back, I went to the State Department.

Q: Yes. Did you immediately make the transition from SEC to the State Department?

RV: It wasn't too terribly long. By August I was in the State Department. And then Henry Owen and I shepherded through the program.

Q: Now that's what I was very interested in. You were the working group which put together the SWNCC /State-War-Navy-Coordinating Committee/
paper on excessive deconcentration?

RV: Yes. Yes, Henry and I, as I remember it, were the principal authors of that.

Q: Was anyone else involved with you at that point?

RV: There must have been.

Q: Some of the Far East people like Borton?

RV: I think that was the time I got to know Ernie Gross and his boss, who was a General somebody.

Q: General Hildring?

RV: Hildring, yes. Right.

Q: What about the Japan specialists who were serving on the sub-committee for the Far East, advising SWNCC? Was it George Blakeslee or Hugh Borton, /Edward/ Reischauer that had the briefings involved?

RV: None of them.

Q: None of them?

RV: None of them had anything to do with this.

Q: It was strictly you and Corwin Edwards coming in as a consultant?

RV: Corwin had a considerable hand as a consultant, yes, and it was just the business of negotiating this piece and that piece with SCAP. A certain amount of internal negotiation but not much, not much, very strange. Oh, yes. There was Wally Barbour, who would later play a critical role in turning the whole program around. But Wally was very helpful at that stage. And then there was our famous general who later went into business in Pittsburgh. He was a heller on wheels. He was in the War Department, or Defense Department. Later on he went into
industry. He's dead now. He had much to do with occupied area affairs.

Q: General /William H. Draper, Jr./?

RV: Draper, of course. There was Draper that we had to deal with, but I can't remember on what issues, what points one specifically dealt with any of these. And they were on the whole until the NSC /National Security Council/ did that reversal later on. They were on the whole quite forthcoming and constructive and sympathetic. They would not have been, I think, if MacArthur had not clearly been.

Q: What interests me is that you left Japan in March of 1946 and then you and Henry Owen and others were subsequently involved in writing the paper. As far as I know it didn't get its SWNCC number until January 1947 and, it didn't get its Far Eastern Commission, its FEC number until the early spring, March, April and May of 1947. Does that seem unusually slow to you or just about the pace of the State Department having to deal with the—

RV: No. That's about the pace.

Q: ---War Department and SCAP?

RV: Yes. It wasn't as if we were continuously dealing with these things either.

Q: Yes, but I did want to ask you what were the other sorts of things that you did.

RV: We were just waiting for SCAP to get up its reply. We were waiting for a meeting of a particular committee. It was mostly waiting.

Q: You were in the International Resources Division as I remember, and I
assume you had many other responsibilities and duties in addition to writing those papers.

RV: Yes, this was a minor responsibility.

Q: A minor responsibility?

RV: Oh, yes. Oh, sure. My concern was with cartels, patents, trademarks, copyrights, commodity agreements.

Q: Were you dealing with Germany, German problems as well?

RV: German problems as well, sure. I was the subject matter man on anti-trust and then gradually moved into the commercial policy field. Oh, there was the ITO /International Trade Organization/ charter being negotiated with an anti-trust chapter in it. So there was quite a lot to do. We were busy.

Q: When you were writing this paper for Japan, were you then getting acquainted with the people in JK, Edwin Martin's division of Japanese Foreign Affairs?

RV: Precisely, and then had to deal with them, exactly. So it all came together really.

Q: I from time to time see a reference in the letters of Corwin Edwards to the "crank-up" paper, and I'm not sure whether you or Henry Owen would have been mostly involved in this.

RV: Crank-up?

Q: I think it eventually became an economic recovery of Japan paper. And there was some thinking about it in 1947.

RV: No, I don't remember the phrase.

Q: You were not involved in that paper?
RV: I don't remember the phrase. I'm surprised I wasn't because Corwin then was the advisor to the Industry Branch or advisor to the International Resources Division, I guess. I must have been involved in it.

Q: I've seen some correspondence or some memoranda that you wrote, for example, for Paul Nightsie in that period.

RV: Really?

Q: Yes. In other words then when you were doing all of this, late 1946 and on into 1947, you had no reason to think that SCAP wouldn't be cooperative and carry out the recommendations and continue the zaibatsu program?

RV: No, I had no reason to believe by that time. My principal concern was when we finally appointed someone to begin implementing the program, he turned--what was his name? John somebody? He turned out to be a doctrinaire, rigid, inflexible--

Q: Now do you mean the head of the Anti-Trust Division?

RV: Yes, in Japan.

Q: This is Edward Welsh. He was the head.

RV: That's the fellow, yes.

Q: He came about March of 1947.

RV: Okay. Now as far as I was concerned, he was bad news.

Q: Did you know of him before? Or you learned about him later?

RV: No. I had nothing to do with his appointment. He was a trust buster pure and simple and I had at least learned enough by that time to be aware that this was a new unsafe problem. And in the way in which one does in those circumstances, with lots of other duties
and this big froth in the center of my concerns, I would note, with an occasional pang of concern, this inflexible, I thought overly zealous approach, but wasn't about to make an issue of it.

Q: It wasn't just dissolution of zaibatsu. It was deconcentration of economic power which then involved lots of businesses and not just the big zaibatsu.

RV: Well, my concern was not that it involved lots of businesses. My concern was that he was just inflexible, that's all, on anything he dealt with. I recall--I can't remember the exact timing of the economic blacklisting. But I recall a pang of distress over the simplicity of it and the nonselectivity of it. But I didn't regard this as the greatest issue in the world. We had other fish to fry. We were re-forming the world, and if one corner of the world wasn't coming out precisely right, well, what the hell.

Q: I know that the reappraisal of the zaibatsu policy began in the summer and the fall of 1947. For example, I've seen a memo of yours written in September of 1947 indicating that there was a reappraisal of the zaibatsu policy. And I wondered if you could help me understand who started that reappraisal, why it started. Was it because of the advent of someone like Draper being appointed as Under Secretary of the Army? Cold war considerations?

RV: I'm sorry, I don't dare rely on/memory here. I keep asking myself, "How much did I know about the reappraisal?" And it's perfectly clear that as I read the memoirs of others in that period, that I didn't know the half of what was going on and that very high-level
whole discussions in the NSC revolving around the Cold War posture obviously must—in retrospect I realize—must have been playing a major role. But I was not privy to those conversations, and I got the consequences at one or two removes through, as I remember it, principally changes in the attitudes of both Barbour and Draper which signaled to me that something was going on.

Q: Could you tell me a little bit more about Barbour and Draper as you perceived them and how their ideas filtered down to you?

RV: Well, I don't think they were ideas. I mean, they were sea changes, and I'm just guessing. I don't think my guesses are worth very much because I suspect that the hard historic evidence now can determine whether my guesses were right or wrong. So present guesses about stuff that other people have detailed information on isn't very good.

Q: Well, Draper had been in the German occupation?

RV: Draper had been in the German occupation, and I had looked on Draper as a very hard man to deal with but not a man who was inherently unsympathetic to the things we were doing. There then came a point at which it was clear that Barbour and he were.

Q: Barbour is a new name to me.

RV: Wally Barbour?

Q: I don't know what his function was.

RV: He was in the Far East—he may have been Deputy Assistant Secretary for the Far East or something. East Asia I guess it was called then.

Q: Oh, Butterworth?

RV: Butterworth, not Barbour. this time.

Q: Ah, yes because it did seem to me important that Butterworth came in at/

RV: Substitute Butterworth for Barbour in everything I said so far.
Q: Yes, Butterworth.
RV: All right, Butterworth.
Q: Walter Butterworth.
RV: Now we're on course. But Butterworth had been, it seemed to me, a Foreign Service officer doing his thing in the mainstream of policy and prepared to assist what was the mainstream of policy any way he knew how. Draper was a little more independent but still not unsympathetic.
Q: What about George Kennan and the Policy Planning staff?
RV: We had nothing to do with him.
Q: You were not much aware of what he was doing?
RV: We had a lot to do with him, but we weren't aware of it.
Q: I see.
RV: I know he was involved in the NSC discussions, very centrally. But there were layers of insulation between us and them. The Economic—we were not even a bureau. We were these screwball kids that had been inherited from the war agencies on the economic side of the State Department. You had to have them because there were all kinds of technical things they worried about.
Q: Was the economic work of the State Department becoming quite important? I know there was an expansion and reorganization several times during the war to pay more attention to economics of foreign policy.
RV: Oh, it was terribly important because we were in the center of the IMF, the GATT and the economic side of the Marshall Plan, which was absolutely critical. And I was by that time up to my ears in trade within Europe, trade liberalization, also the old interest in cartels
but that was a secondary interest by then, how to revive Europe and so on.

Q: Who was the top man at that point as Assistant Secretary of State for Economic Affairs? Would that have been Thorpe?

RV: Willard Thorpe, yes.

Q: Was he sympathetic to the anti-cartel thrust?

RV: Oh, sure. Willard was—was and is, he's alive still. He was a little more judicious or a little more restrained or a little more recognizing his own limitations, being an older man and a wiser man than we, but all together on the side of where we were headed, a lovely man to work with, just a lovely man. So, sure, he was quite sympathetic. He wasn't about to go to the mat on any of these things. We had to do our own fighting.

Q: You mentioned that Butterworth had quite a role in turning this policy around or reversing it.

RV: He had quite a role in announcing to us that the policy was turned around. Whether he had a role in turning it around, you would know better than I. I think the memoirs are fairly explicit on his role, somebody's memoirs. In fact, I may have even read them but it's out of my mind now. But you know, Wally was a good Foreign Service officer and he went with the policy. And when the policy zagged, he zagged with it. MacArthur then became our principal ally in keeping the policy on track. And at one stage he wrote a famous 18-page airgram, I guess it was, which you must have seen.

Q: Yes, I did.

RV: Unclassified, in defense of the zaibatsu program, but—
Q: Yes. It seemed that once having accepted the premises, he wanted to stick with the anti-zaibatsu program and it was very, very hard to turn him around.

RV: Yes.

Q: I'm very, very interested in trying to pick up the details on that.

RV: I don't know. He was thoroughly identified with it by then. I don't think he was identified with it as a matter of conviction in the early stages, but his role in that occupation is curious anyway. He was identified with the creation of labor unions, with the agricultural reforms of Wolfe Ladijinsky, all kinds of things you would/assumed weren't his thing.

Q: Did you know much about the details of getting the deconcentration law passed in December 1947? Welch, I think, is the one who basically wrote that law. And it was necessary to put some pressure on the Diet.

RV: Yes. At the time I knew all the details, but they were not at the center of my psyche and I didn't retain them in my memory/very well.

Q: Do you know whether the Japanese were threatened with this or with the directive if they didn't seem to voluntarily want to pass this deconcentration law?

RV: I don't know, but given the nature of the kind of guy Welsh was, I'm pretty sure that threat was used, and he was a religious man. And he was so sure he was on the side of God that I'm sure he invoked thunderbolts and everything else.

Q: From the things that I've been able to dig up and it's quite a bit so far, but I still feel that there's more if I would keep looking. Draper
and his boss, Royall, and also Forrestal were under the impression that MacArthur or those who were advising MacArthur on economic policy were OPAing Japan. And this zaibatsu thrust--

RV: Was part of that?

Q: --and economic purge, yes, were very, very dangerous to economic recovery. And that had become the number one priority and how do you reconcile zaibatsu busting with economic recovery or letting the Japanese have their large organization because that's the best way they can function and have a competitive edge. They seemed to be quite sold on that argument by the end of 1947 and were frustrated and decided to sell it to MacArthur.

RV: Yes. That's interesting. I guess I must have known that too at the time. But Draper in his relations with us, though he was hard, he didn't reflect quite that. And of course our counter arguments were that this was not punitive. That was why Welch was such a menace to us.

Q: I see.

RV: This was not punitive; this was a part of the process of insuring recovery in Japan. You'll find something of that spirit, if I remember rightly, reflected in the documents that we wrote at the time we were there. The punitive aspect became elevated by Welch, I think, which is why I regarded him as something of a menace. Incidentally, Yasuda never forgave me for his being put on the blacklist. He assumed that I must have done it, and that really is rubbing salt in the wounds. They're not really wounds. That irritated me even more.
Q: Do you have much recollection of the efforts by American businessmen, say those who were interested in investing in Japan prior to the war who had business contacts with the Japanese combines? In late 1947, early 1948, were you aware of those people making efforts to get this policy reversed?

RV: I'd be astonished if there were such efforts. Were there?

Q: Oh, yes.

RV: There were? That's interesting. Well, if there were, they weren't very effective. I didn't hear of them.

Q: What about the foreign news editor of Newsweek, Harry Kern and his friend, James Kaufman? They got hold of FEC 230 and it was in large part published in Newsweek in December 1947, much to the embarrassment of the Department of State?

RV: Oh, a tempest in a teapot.

Q: It was?

RV: Yes. Nothing of any great significance. If there had been any significant business pressure, I would surely have been exposed to it. And though my memory is obviously not of the best on this period, I'd really be overwhelmingly surprised if there was a lot of it. There just couldn't have been unless they were doing their best to work on people whom they thought were more susceptible of responding, like Draper or the Defense Department. They sure as hell didn't work on the economic side of the State Department.

Q: So at your level you didn't necessarily get a sense that people higher up thought MacArthur was out of control on this issue? Or what
can we do to save his face and reverse the policies at the same time?

RV: No, I didn't get that sense at all. Well, we knew there was irritation...  

END OF INTERVIEW