

assume that it will devote its efforts to restoring the limb which has been struck off?

Territorial issues will present the first test. In this field the decisive measures will relate not to the strategic islands of the Pacific but to Manchuria, Korea, and Formosa. Maintenance of the old order in Japan, and the eventual restoration of an aggressive Japan's industrial and military strength, will be immensely facilitated if Japanese economic interests in the colonies are protected by the peace terms. There are to-day approximately 320,000 Japanese civilians in Formosa and 750,000 each in Korea and Manchuria. Since the overwhelming majority are administrators or business men, closely linked to the colonial political structure, they seem likely to be swept out by military defeat. The utilities and great industrial enterprises of these colonies are largely State controlled and should be transferred to the Chinese and Korean authorities. Japanese investments in State and private undertakings in the colonies, as in China proper, will provide the sole large and immediately available reparations payments, though quite inadequate to cover the devastation caused by the war. Assuming that these changes are applied in the peace, they will force the repatriation of Japanese civilians, eliminate potential nests of irredentists and fifth-columnists, and thus limit the scope of Japanese under-cover activity in preparation for renewed aggression. Above all, they will force post-war Japan to seek the solution for her economic problem in the homeland, and so stimulate necessary modifications of the old system.

Japan will experience the economic disabilities of defeat primarily in the destruction of industry, transport, and the merchant fleet, in the loss of virtually all foreign investments and assets, and in the disruption of her connections with the world market. Recovery will be slow, unless it is stimulated by the external measures, such as loans, which restored the German economy during the "twenties." But such a programme will carry the same dangers in Japan if it entrenches the old groups in power, even should the oligarchy be temporarily shorn

of its military accessories. To be affected with safety, it would require economic controls adequate to prevent the building of an arms industry, no easy task short of continued military occupation, and the closest economic co-operation among the powers. Even then the world security organization would have to maintain sleepless vigilance. On the other hand, the restoration of Japan's economy is clearly desirable, as much in the interest of the outside world as in those of the Japanese people. Industrial development and foreign trade, moreover, represent a necessary condition for an economically healthy Japan. Can the outside world assist such a development without the necessity of standing perpetually on guard?

Only under one condition: that the stranglehold of the Zaibatsu and landlords on Japan's economic life, and on the welfare and livelihood of the Japanese people, be broken. Agrarian reform constitutes the starting point for the needed changes. The break-up of the landed estates, an essential preliminary in this task, has to be associated with a thorough-going democratization of the agricultural co-operatives, thus far used mainly as an agency of authoritarian regimentation. Through the co-operatives, with which the Japanese farmer has had much experience, can be handled such problems as the purchase of supplies, the marketing of products, and the provision of cheap credit. This programme of agrarian reform, however, cannot be expected to work unless it is associated with measures curbing the great industrial and commercial monopolies. Along with railways, communications, and the electric-power industry, all of which have been already nationalized, the large modern factory enterprises will have to be taken over and operated by the state. Small and middle-scale enterprises, freed of the tribute formerly exacted by the Zaibatsu monopolies, should be able to develop on a much wider and more profitable scale. Previous restrictions on labour organization should be removed. The higher living standards of the farmers and workers, by providing greater domestic purchasing power, will expand the home