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## True lies: filthy--and filthy rich: Japan, the US and the M-Fund.(Feature)

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Magazine

IT sounds like the plot of an overwrought political thriller, the sort of thing Oliver Stone might cook up if he cast his conspiratorial gaze toward Japan. But the story of the M-Fund (named after US Major General William Marquat, the fund's initial overseer) has attracted some heavyweight researchers, including Chalmers Johnson, a former CIA consultant, and Norbert A. Schlei, assistant Attorney General during the Kennedy Administration. It goes like this.

\*\*\*\*\*

WHEN WORLD WAR II ENDED and the Allied forces, under General Douglas MacArthur, surveyed the wreckage from the Imperial Army's rampage across Asia, they uncovered evidence of enormous quantities of money, precious metals and treasure stolen mainly from Taiwan, China, Korea and the Philippines. It included tons of gold from the treasury of Chinese nationalist leader Chiang Kai-shek, assets from the British, French, American and British colonial authorities, gilt from Buddhist temples across the region and millions in gems, foreign currencies and precious art, plundered, according to some accounts, under the direct supervision of members of the

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Imperial Household, including Emperor Hirohito's brother, Prince Chichibu.

Where this booty ended up is the subject of a recent and bracingly well-documented book by Sterling and Peggy Seagrave called *Gold Warriors: America's Secret Recovery of Yamashita's Gold*--which includes a note from the authors listing the precautions they have taken should they be murdered. (One example: The authors say they have posted the entire book and its research documentation at various Internet sites to ensure its preservation).

The Seagraves report the shipment of huge hoards of gold to Japanese-occupied Malaya and later the Philippines. The shipments were melted down and buried with other treasure in 175 storage sites--along with thousands of slave laborers, soldiers and even officers who were buried alive in an effort to keep the burial locations secret.

Most of the rest was lost or destroyed in Allied bombings, but the authors say an enormous amount survived the war. The Yamashita treasure was named after General Tomoyuki Yamashita, the Japanese wartime commander in the Philippines, where it is legendary. Agents of the Office of Strategic Services (OSS), the forerunner of the CIA, found the loot in the Philippines, which was later inspected by General MacArthur himself and senior U.S. political figures, who agreed to keep the treasure off the official books.

But here is where the story really gets interesting.

According to the Seagraves, the wealth was stashed in banks around the world and used throughout the postwar years by the CIA to manipulate politics everywhere from Greece to Nicaragua, essentially stacking the odds in favor of those sympathetic to American interests and against the forces of the left. Much of this history of postwar clandestine CIA activity is now thoroughly documented and largely uncontested, thanks to the work of Frances Stonor Saunders, Seymour Hersh and others, and in Japan, to Michio Matsui, Alec Dubro, David E. Kaplan and Johnson himself.

[ILLUSTRATION OMITTED]

But the suggestion that the plundered wealth of 12 Asian countries underwrote this activity is not. Nor is the allegation that part of the loot was used to kick-start the crippled economy of the very country that stole it.

With one-quarter of Japan's national wealth consumed

by the war and the forces of left and right vying for power, the Seagraves claim the Supreme Commander of Allied Powers (SCAP) used the stolen wealth as the basis of a sort of Japanese Marshall Plan for establishing a stable democracy--but also to fund and develop key industries such as coal, iron, shipbuilding and electric power.

The notion that the seed funds for Japan's economic "miracle" were provided by the countries it invaded is controversial enough--especially considering the stingy amounts of war compensation Tokyo has paid to its former victims over the years. But there is more.

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As US priorities changed, other uses for the fund were found. SCAP enthusiasm for the remaking of Japan, the complete destruction of its military forces and the protection of its new "pacifist" constitution had started to wane, even by the late 40s, as communists took power in China. When US troops were sent to fight the Korean War in 1950, the fund was secretly used to create the National Police Reserve, the predecessor of today's Self-Defense Forces, to fill the security vacuum in Japan. Within the context of the bitterly contested signing of the Treaty of Mutual Cooperation and Security in 1960, the fund passed into exclusive Japanese control (thanks to then Vice President Richard Nixon, who negotiated its transfer in return for a still unknown quid pro quo).

[ILLUSTRATION OMITTED]

Since then, and beginning with Prime Minister Nobusuke Kishi, the fund has, in the words of the now-deceased Schlei, "been treated as the private preserve of the individuals into whose control it has fallen," and has grown, he claims, from \$35 billion to over \$500 billion today. The individuals, all affiliated with the Liberal Democratic Party, are said to include former prime ministers Kakuei Tanaka, Eisaku Sato and Yasuhiro Nakasone. The fund has been used to bankroll the LDP, fend off political challengers (including the funding of a private right-wing army to crush protests against the 1960 US-Japan treaty), and to enrich themselves. Kishi allegedly emerged one trillion yen (then nearly \$3 billion) richer, thanks to his proximity to the loot. Tanaka siphoned off even more, and numerous other figures have emerged with sticky fingers from the M-Fund pie. Schlei's observation, written over 10 years ago, bear repeating: "The secrecy surrounding the M-Fund and the absence of governmental or institutional controls over it have led to abuses so great as to dwarf any governmental scandal within memory in any part of the world.... It is

not too much to say that the M-Fund, controlled as it is by individuals free of any significant governmental or institutional restraints, has prevented Japan from becoming a truly democratic country.... The enormous money power [of the fund] has prevented the development of political parties able to compete with the Liberal Democratic Party."

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Certainly allegations of CIA manipulation of the domestic political process in Japan, once dismissed as conspiracy talk, were proved conclusively by revelations in the US media in the mid-90s that large sums of money had indeed been funneled to the LDP to strengthen their grip on power. A large number of historians and investigative journalists working in Japan have heard of the M-Fund, and many concur that there is at least a "core of truth" to it (see sidebar).

But many also cite the lack of available evidence to firmly establish its veracity. The problem, they say, is that documentation covering the murky deals struck between Tokyo and Washington during a period of intense Cold War activity remain sealed in US archives. "The US could clear this up but they've refused to declassify a whole bunch of documents from the 50s and 60s," says Financial Times journalist Gillian Tett, who spent months of "frustrating" work researching the fund. "The real story for me is why have the conditions been laid for so many conspiracies to flourish. And that's because US-Japan relations are filthy. There are so many dark areas."

[ILLUSTRATION OMITTED]

Not surprisingly given this secrecy, the M-Fund has become a staple of bad conspiracy thrillers and racy weekly magazines in Japan, a topic used to spice-up limp narratives or weak stories. But it has also over the years been the subject of serious articles by the Asahi and Yomiuri newspapers and a number of books by investigative journalists. It has been linked to several alleged murders, including Kakuei Tanaka's driver, an assistant to political kingmaker Noboru Takeshita and, astonishingly, to former Prime Minister Sato. But like so much of the postwar Japanese political landscape, the M-Fund remains in the shadows: There has never been a full and open accounting of where the money came from or where it went.

Woven into the story of the M-Fund is the fate of several Japanese war criminals who escaped the noose thanks to the post-1948 shift in American priorities. The key private figure involved in what Johnson calls the "looting of Asia" was the notorious Yoshio Kodama, a rich and fanatical ultra-nationalist with connections to both the underworld and some of

Japan's most famous postwar political figures. Kodama's history is now fairly well known, mainly thanks to David E Kaplan and Alec Dubro's seminal Yakuza, and Kodama himself was more than happy to talk about his experiences at great length.

These accounts make clear how, despite his appalling war record, Kodama went on to become a key CIA fixer in Japan, carving out a long and undistinguished career involving bribery, corruption and the sponsorship of both the yakuza and one-party LDP rule. (One of many schemes in which he was involved was the infamous "Lockheed Scandal," in which Kodama was given a \$2.1 million bribe to ease the US aircraft weaponry corporation's entry into the Japanese market.)

Kodama died in 1984. A fellow inmate, Nobusuke Kishi, who oversaw Japan's wartime slave labor program, was also rehabilitated by the US authorities and, according to well-established accounts, secretly supported as a "safe" conservative by CIA money during the crucial 58-60 period, ensuring the continuation of one-party rule.

This account barely scratches the surface of the M-Fund account and the nature of its reverberations in Japan and elsewhere, even today. What was the extent of the Imperial family's involvement? How many hundreds of private individuals became rich thanks to their connection to the fund? And to what extent were democratic politics impoverished in scores of countries as a result?

A large number of people who came into contact with the fund were consumed by the heat it generated. Take the career of Schlei, who did much to expose the fund's tangled history.

Schlei became involved though his work as a lawyer with mysterious bonds that the Japanese government claimed were forgeries. Schlei and others contended that the bonds were issued by the MOF to conceal the huge amounts of cash sloshing around Tokyo. After a legal battle, Schlei was pursued by the FBI--then given a five-year suspended sentence in 1995 on what many call trumped up charges for handling the "fake" bonds. Schlei died last year, his life destroyed, say his supporters, because he got too close (see sidebar).

On February 12 of this year, Finance Minister Sadakazu Tanigaki nervously fended off DPJ questions about a "[yen]380 trillion M-Shikin" during a Diet debate. The debate ended with a vague promise from Tanigaki to "look into it." Remember all this the next time you hear a politician bemoaning the rise of foreign crime in Japan.

[ILLUSTRATION OMITTED]

Want to find out more?

See: Chalmers Johnson, Norbert A. Schlei and Michael Schaller, "The CIA in Japanese Politics," in Asian Perspective, Vol. 24, No.4, 2000. pp. 79-103.

Sterling Seagrave and Peggy Seagrave, Gold Warriors: America's Secret Recovery of Yamashita's Gold. Verso 2003.

David E Kaplan and Alec Dubro, Yakuza: Japan's Criminal Underworld. University of California Press, 2003.

Alec Dubro and David E. Kaplan, "A Question of Intelligence: Forty-five Years of the CIA in Japan," Tokyo Journal, March 1995, pp. 32-37.

Gillian Tett, "Mischief of Conspiracy?" Financial Times, April 7, 2001.

In Japanese: Masaaki Yasuda, Tsuseki M-Shikin (In Pursuit of the M-Fund). San'ichi Shobo, 1995.

Hajime Takano, "Shirarezaru chika kin'yu no sekai, (M-Fund: The Unknown World of Underground Finance," Nihon Keizai Shinbun-Sha, 1980.

RELATED ARTICLE: A high-ranking senior minister at the Ministry of Finance (MOF) who spoke only on condition of anonymity: "It [the M-fund] is nonsense."

HAJIME TAKANO, Japanese investigative journalist and author of M-Fund: The Unknown World of Underground Finance: (Re: the MoF statement) "They would say that! I spent a lot of time investigating it and I believe there's a core of truth to it. There was definitely a lot of money floating around the time of Lockheed. But there is also a lot of myth obscuring what went on and a lot of people who used it to extort money."

GILLIAN TETT, former Financial Times Japan correspondent: "The whole thing is a can of worms. There is a fabulously interesting web of intrigue, but the real story for me is why have the conditions been laid for so many conspiracies to flourish. And that's because US-Japan relations are filthy. There are so many dark areas. The US could clear this up, but they've refused to declassify a whole bunch of documents from the 50s and 60s.

"When I was writing, a lot of very odd things happened. I went to Dai-Ichi Kangyo Bank, which was the name that appeared on the bonds, to interview an official. He was your absolutely conventional official--but there were three heavies in the room when I arrived. And when I presented my meishi they said 'Oh, we don't give meishis.' And they sat there for the whole interview. It was the only time in five years that anything like that happened to me in Japan."

KAREL VANWOLFEREN, Author and Japan Commentator: "I heard about it, most people do. There are an awful lot of things that are still in the dark in Japan about that era and relations with the U.S., and this is one of them."

AKIRA ISOZAKI, financial consultant: "It doesn't exist. If it did, the Japanese economy wouldn't be in the state it's in now. If all that money was floating around, do you think they'd let banks fail?"

EIJI TAKEMAE, veteran historian and author of the 700-page *Inside GHQ: The Allied Occupation of Japan and Its Legacy* (New York: 2002), which contains no mention of the M-Fund: "I've heard of it of course, but it's too opaque to research properly. There is no trustworthy evidence--just a lot of rumors with no proof the fund existed. As an academic, it's not a subject about which I can publish."

## RELATED ARTICLE

Sterling and Peggy Seagrave speak to JI

[ILLUSTRATION OMITTED]

Gold Warriors authors: An interview

By Roland Kelts

Have you found anyone willing to translate and publish this book here in Japan?

Seven of our nine books have been published in Japanese, each selling over 12,500 copies. They rank as bestsellers for foreign authors. The *Yamato Dynasty* has been translated and will be published shortly. But we don't have a publisher yet for *Gold Warriors*--even though the English language edition is selling well through Kinokuniya and Amazon.co.jp.

Very few in Japan will be brave enough to publish *Gold Warriors*. But Japan is changing. Fear is no

longer universal there, as it has been for centuries. One sign we are having an impact is that Japanese media now refer to the Imperial family as "the Yamato dynasty"--a term we were the first to use.

Was Japan's "economic miracle" of the past 50 years--during which a bankrupt postwar nation rose from the ashes to become the second largest economy in the world--partly the result of M-Fund financing?

Nobody can deny Japan's energy and creative genius. But Japan was by no means bankrupt at the war's end. The Imperial family, the oligarchs and the underworld were far richer than they were before the war, thanks to the looting of the Asian mainland from 1895 to 1945. Most industry, great estates and infrastructure survived undamaged. The greatest damage from firebombing was to the homes and lives of ordinary people. General MacArthur then set up a number of secret trusts like the M-Fund to bribe Japanese political leaders, using recovered war loot--gold, platinum and vast quantities of gems and diamonds. The real tragedy is that MacArthur handed power back to the same notorious men who started the war, and their so-called Liberal Democratic Party continues to make a joke of democracy today.

What are some of the benefits to the US of illicitly financing Japan's economic ascent?

America benefited during the Cold War because nobody was more anticommunist than Japan's fascists, who controlled and bankrolled the LDP--men like Prime Minister [Nobusuke] Kishi and his Sugamo Prison cellmate, yakuza godfather Kodama Yoshio, who used war loot to launch the LDP and was a bagman for the CIA until he died. Now America and Japan are like Siamese twins, joined together at the purse: If one gets sick, the other hemorrhages.

Was former Assistant Attorney General Norbert A. Schlei "destroyed by the US government," as Chalmers Johnson recently told us.

Yes. Norbert Schlei was a grave threat to the LDP leadership because he had convincing evidence they were running a huge financial scam.

Here's how it worked: Prime Minister Tanaka had the Ministry of Finance (MOF) print high-denomination promissory notes called '57s' that Tanaka sold to wealthy men with a promise of huge returns on maturity. But Tanaka made them look different from normal Japanese bonds so they could later be denounced as forgeries. Anyone who wasn't a crony of Tanaka would lose his shirt.

Schlei was a world-famous attorney hired to press Japan to honor those 57s. The LDP leadership fought back by urging Washington to destroy Schlei.

A deal was cut in which the LDP would honor certain 57s presented by friends of President George H.W. Bush, and in return, US Treasury agents filed false fraud charges against Schlei that destroyed his career and bankrupted him--ultimately resulting in his death. Put simply, the White House crucified Schlei in return for private kickbacks from the LDP black bag.

If you were in Japan now, how would you pursue M-Fund leads?

If you seriously pursued such information inside Japan, you'd soon be the victim of "assisted suicide." We have collected a mountain of evidence on the M-Fund and other secret trusts like the Yotsuya Fund, which financed death squads in Japan. Our book cites many Japanese and Western sources who confirm the existence of the M-Fund. Respected Japanese journalists have published articles about it. When Norbert Schlei died, Chalmers Johnson called Schlei "one of the most distinguished authors the Japan Policy Research Institute has ever published. His article on the M-Fund and the financial certificates [57s] issued by the Japanese Ministry of Finance was essentially correct."

A high-ranking official at the MOF tells us: "[The M-Fund] is nonsense."

The MOF has to deny the existence of the M-Fund and the 57s. We have eyewitnesses who attest that Prime Minister [Noboru] Takeshita told an emissary of President Bush that Japan could not afford to redeem more than a small number of 57s because the LDP had looted Japan's treasury so thoroughly that it even had to privatize NTT to stay afloat. Former Minister of Finance Watanabe confided to Schlei that the 57s were actually printed at the MOF plant in Takinogawa. So the MOF's denials are comic.

The whole idea of looting the Asian mainland was to enrich Japan's oligarchs, not to enrich the Japanese people. That's why Emperor Hirohito, in the spring of 1936, put his brother Prince Chichibu in charge of a secret palace agency that would supervise all looting and make sure the treasure got back to the imperial coffers. This secret agency was called Kin no Yuri, or "Golden Lily," after one of Hirohito's poems.

This same kind of high-level greed continued after the war, as LDP leaders accepted huge bribes from Washington. In 1960, Vice President Nixon turned the

M-Fund over to Prime Minister Kishi in return for giant kickbacks to Nixon's presidential campaign fund. Kishi took billions from the M-Fund for his own offshore accounts. Then Kishi turned it over to Tanaka, who moved so many billions offshore that he had to run the 57 scam to cover his tracks.

The big losers were the Japanese people, who had their postal savings looted to feed the greed at the top. Banks are allowed to collapse as a way to shift the blame and divert attention. As an American robber baron once remarked, "In a recession, money simply returns to its rightful owners." The oligarchs.

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