

Bankrupting the Enemy: The U.S. Financial Siege of Japan before Pearl Harbor. By Edward S. Miller. Annapolis, MD: Naval Institute Press, 2007. Pp.xvi, 323. \$23.00, cloth.

A fascinating question concerning one of the defining moments of the twentieth century is why Japan attacked Pearl Harbor on December 7, 1941, triggering the Pacific War. The decision by the Japanese military to carry out this strike changed the trajectory of World War II, and permanently altered the Japanese economy and society. If one visits the historical museum (“Yusyukan”) at the Yasukuni Jinja in Tokyo, the Shinto shrine where recent Japanese prime ministers have come under fire at home and abroad for paying their respects to those who fought on behalf of the Emperor of Japan (including at least a dozen Class A War Criminals from World War II), the displays provocatively suggest that Japan was forced to attack the United States. Tensions had escalated between the nations since Japan’s 1931 invasion of Manchuria. The subsequent U.S. diplomatic response to this invasion, which included economic sanctions, are described in the museum’s history as a threat to Japan’s sovereignty and a major reason behind its decision to attack. U.S. military historians have also noted that Japan may have attacked Pearl Harbor so it could neutralize the U.S. Pacific Fleet and better secure resources, such as oil and rubber, from the Dutch East Indies and Malaya, while western diplomatic historians suggest that negotiations with Japan over a withdrawal from China were undermined by a rising tide of economic sanctions against Japan, including the application of the Export Control Act of 1940 to Japan.

Congress set up a joint committee to examine the reasons behind Japan’s attack and more than 115 books have subsequently been written exclusively about it. Although many factors likely contributed to Japan’s decision to attack Pearl Harbor, a surprisingly small proportion of these published works have explicitly analyzed whether the sanctions had a significant impact on the Japanese economy and hence whether they could be plausibly seen as an important reason leading to Japan’s attack. Edward S. Miller’s *Bankrupting the Enemy: The U.S. Financial Siege of Japan before Pearl Harbor*, contributes to a small, but growing literature that quantitatively assesses the importance of economic sanctions. Miller describes how the U.S. gradually tightened the economic noose around imperial Japan in response to its aggression in Asia. In contrast to other works, which emphasize the trade embargo, Miller argues that financial sanctions were critical in “bankrupting” Japan, and forcing it to declare war on the United States.

In the first part of the book, Miller focuses on describing the evolution of U.S. policymaking that eventually led to a systematic freeze of Japanese assets and how Japan’s inability to obtain dollars by either trading with the U.S. or liquidating its dollar assets would make it exceedingly difficult for Japan to purchase the goods it needed to sustain its wartime economy. Using new documents that were declassified and made available by the National Archives and the Board of Governors after 1996, Miller carefully guides the reader through the logic U.S. war planners used to arrive at the fateful decision to impose Executive Order 8839, which froze all Japanese assets and trade in July 1941.

In essence, what Miller does in words, rather than in charts, is to provide a detailed analysis of the balance of payments position for Japan, and show how Japan relied on U.S. export earnings and U.S. imports to sustain its industrial output and war production. Since Japanese policymakers were unsuccessful in negotiating a partial or complete cessation of the harsh economic sanctions imposed in July 1941 (partly out of the military government's unwillingness to remove Japanese forces from Manchuria), Miller suggests they were boxed into launching an attack on Pearl Harbor.

Throughout his narrative Miller provides evidence that secondary U.S. government officials played a critical role in drafting and executing the financial and economic sanctions against Japan. He argues that bureaucrats like assistant Secretary of State Dean Acheson were completely aware of the consequences of the financial freeze they sought; their goal was to move beyond Roosevelt's stated policy of bringing "Japan to its senses, not its knees." Once the freeze was in place, Roosevelt and Secretary of State Cordell Hull in effect ratified it by refusing to remove it or allow a temporary and partial resumption of trade and asset flows between the two countries.

The author's detailed description of how American government officials arrived at their estimates of the effects of the financial freeze and trade embargo on the Japanese economy are revealing because they give the reader a "real time" assessment of what war planners thought the impact of their policies would be on the Japanese economy. Miller also points out where bureaucrats made crucial mistakes in their analysis of stockpiles of raw materials, in Japan's ability to produce goods, and in the amount of assets the Japanese government held in the U.S. (for example, his extended discussion of the secret holdings of the Japanese government at the Yokohama Specie Bank in New York). He shows how imperfect information led to some faulty estimates and unrealistic expectations about the effects of the financial freeze and trade embargo. And he documents cases where fictions were propagated to win over the hearts and minds of the public with respect to maintaining the economic sanctions (for example, the repeated, but completely unsubstantiated claim by the Roosevelt administration that there was an oil shortage on the East Coast in 1941). The theme that war planners often make uninformed decisions based on partial information or ignore information altogether will surely resonate with those readers looking to draw comparisons with more recent events in U.S. political and military history.

Miller has carefully culled a large new vein of archival evidence to create a careful account of the financial and trade blockade executed by the U.S. government. At times, however, the narrative is less than scintillating, and reads as if a war time bean counter were painstakingly describing the input-output matrix for the entire Japanese wartime economy. Perhaps this assessment reflects the reviewer's preference for a book that had a few more tables conveniently summarizing some of the detailed information Miller gathered from U.S. government agencies. Given the author's knack for unearthing new documents, it is also somewhat surprising that he did not hunt for more primary source documents in Japan. While he states most of the war era documents were either destroyed in fire bombing or burned by the Japanese military, recent scholarship on the treatment of

“comfort women” used by the Japanese military in World War II suggests that not all sensitive documents were destroyed.

There are a few areas where the book might have benefited from a Cliometrician’s touch in bringing out the implications of the economic sanctions. For example, Miller states that U.S. officials made no attempt to produce a comprehensive macroeconomic study of how a long-term financial freeze and trade embargo would have affected the Japanese economy. He did, however, unearth an evaluation of the U.S. Office of Intelligence Coordination and Liaison, which computed hypothetical estimates of what the Japanese economy might have looked like in 1950 if Japan had not bombed Pearl Harbor in 1941 and had then endured a prolonged financial freeze, perhaps through 1943, before entering into war. Based on two different scenarios provided by this agency, Miller provides his own assessment of what the most likely outcome would have been for Japan. He concludes that the Japanese people would have had a poor standard of living with shabby clothes and few choices for food, “Depression-era unemployment,” and a decline of a standard of living of roughly 15 to 20 percent. His analysis, however, does not make use of data that is now available for the war period for properly computing the substitution possibilities of Japanese households and the government; nor does it draw on a modern macroeconomic model or a computable general equilibrium model to estimate the decline in the standard of living. In other words, the counterfactual seems too wedded to the economic data and toolkit of 1940s American war planners to provide us with a meaningful point estimate of just how devastating a prolonged freeze would have been. Moreover, there are other counterfactuals (such as what Japan’s economy would have looked like had it renounced imperial aggression and abandoned the Axis in 1941) that would have been quite interesting to compute, but unfortunately for the reader, are left to one’s imagination.

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