

JAPANESE FINANCE.

Depression in Trade and Slackness of Money Market Reviewed.

In the tenth annual report on the financial and economic conditions of Japan, published by the Department of Finance in Tokio, was received here yesterday. The reorganization of the finances following the recent war is considered, and the depression of trade and slackness of the money market during the past year is reviewed in detail. The report reads in part as follows:

"For the reorganization of the finances after the war, it is most urgent that the basis of the annual State account should be consolidated and the public loans which increased with great rapidity readjusted; and accordingly, in drawing up the budget for the financial year 1909-10, the financial basis was strengthened by readjusting the annual revenue and expenditure for the future, with a view to maintaining their balance and by avoiding the issue of new public loans and increasing the amount of redemption of the existing ones, and at the same time the policy of promoting the harmony of the general economic world was fixed upon; new demands for appropriations were given up, even those which related to schemes already decided upon were curtailed as much as possible, and in the case of the already fixed continuing expenditures the periods for which they were to continue were lengthened and their annual amounts reduced as far as was permitted by the urgency of the undertakings for which they were required and the degree of progress already made in those works."

Met With Public Loans

The plan followed until lately, continues the report, had been that the expenditures required for the construction and improvement of railways, extension of the telephone service and establishment of the steel foundry should be met with the proceeds of public loans, and the same should also be the case with the expenditures brought over from the special account of the extraordinary war expenses; but in the financial year 1909-1910 the policy was adopted of avoiding the increase of public loans and the issue of all loans projected but not yet raised was given up, and of the works intended to be paid for out of proceeds of loans the railways were specially provided for, and the rest were brought under the general revenue account and it was decided to refrain for the present from raising new loans.

Not only are no loans to be raised, but with the object of increasing the amount of redemption of the outstanding loans a plan was formed for repaying at least yen 50,000,000 (£5,121,377) per annum, and the sum to be applied to the redemption in the year 1909-10 was yen 50,800,000 (£5,203,319). From the following financial year onward it is expected that the annual amount of redemption will be gradually increased by turning over to the redemption fund the balance remaining in each year through the reduction of the interest payable in consequence of the repayment of the principal in the year preceding.

Special Railways Account

In pursuance of the policy of placing the working of the Imperial Railways on an independent basis, a special account suitable thereto was established and all connection cut off from the general account. Thus, hitherto the profit arising from the working of the railways was transferred to the general account and the payment of the principal and interest in respect of the loans raised for the purpose of the construction and improvement of railways were all charged to the same general account, but from the financial year 1909-10 the principal and interest have been charged to the railway special account and the profit applied to the expenses of construction and improvement, and in case of deficiency the source of revenue is to be sought in public loans. But as it is the Government's policy to avoid for the present the raising of public loans, the deficiency was met in the year 1909-10 with temporary loans from the funds under other special accounts.

The carrying out of the budget for the year 1909-10, which was compiled according to the above described plan, has happily produced very good results, both financially and from the point of view of general economy. An examination of the actual account of the revenue for the financial year 1908-09 shows that the estimates were exceeded in the case of the ordinary revenue by yen 23,029,267 (£2,358,831) for taxes and duties, yen 2,459,684 (£251,939) for stamp receipts and yen 5,379,272 (£550,986) for receipts from Government enterprises and State property, making a total of yen 32,107,836 (£3,288,726), and in the case of the extraordinary revenue, although the sum of yen 39,071,116 (£4,001,958) was put down in the budget as the proceeds of a loan, that loan was not actually raised, and yet as the amount brought over from the preceding year exceeded the estimates by yen 173,880,256 (£17,180,126), the net excess over the estimates came to yen 136,042,

8ro (£13,934,520). In short, the total revenue was actually yen 794,939,064 (£81,423,647), showing an excess over the estimates of yen 168,150,646 (£17,223,256).

Economic Conditions Considered.

Through the year 1908 the continued depression of trade in the economic world generally led to a marked fall in prices and the money market showed a gradual tendency to slackness and it was not only generally expected that the money market would by degrees take a favorable turn, but also more or less hopes were entertained in the commercial world as there were some signs of returning activity in the European and American markets where the price of silver had slightly recovered. The price of silver, however, began again to fall from about February and March, and the recovery of the market condition in Europe and America did not progress so rapidly as had been anticipated. Moreover, about the beginning of the year irregularities were exposed in the business of two or three of the principal commercial companies of the country, with the result that a great shock was on the one hand felt in the commercial world and on the other banks connected with these companies were also implicated and the general public feeling was that of great depression.

Hence, notwithstanding the reduction in the rate of interest, sale abroad of public loans and contracting of foreign loans by two or three municipalities, and successive occurrence of other events calculated to set the public mind at ease, the market showed no sign of revival and the first half-year ended in general depression.

Demand for Capital Curtailed.

Upon looking back on the condition of the money market we find that in consequence of the depression of trade since 1908 the demand for capital was seriously curtailed, the banks appeared really to be unable to find employment for their funds, and commencing with the lowering of the rate of interest on deposits by the associated banks of Nagoya early in the new year, the reduction of such rates of interest was not only carried out, but also the importation of foreign capital gave indications of increase day by day, so that the circulation of money became still more sluggish and the municipalities which had already received the entire proceeds of their foreign loans appeared to be in difficulties with regard to the custody and employment of their funds.

Although the rate of discount was lowered at every issue of treasury bills, they were actually sold out on the day of their issue, and accordingly the Bank of Japan lowered its rate of interest on loans by 0.2 sen each time on the 4th May and 13th August, but still the money market became more slack. Following the lead of the associated banks of Osaka in carrying out the reduction of interest on deposits in September, various other localities also lowered their rates in rapid succession. On comparing the rate of interest at the beginning of the year and at the end of November, we find that the lowest daily rate of discount in Tokyo City fell from 2.2 sen to 1.2 sen, the rate on call money from 1.7 sen to 0.7 sen, and that on treasury bills from 1.7 sen to 1.0 sen; from which the slack condition of the money market may be readily inferred. Only at the end of the year the rate of interest showed a slight rise, which, however, was no more than a temporary occurrence, due to the necessity of providing funds for the year-end settlements.

Foreign Trade Was Fair

Although the depression of trade and slackness of the money market were at home as above described, fair results were obtained in the foreign trade. The total volume of imports and exports was yen 807,310,000 (£82,690,771), being a decrease of yen 7,190,000 (£736,454) on the preceding year, which was due to a fall in the prices of the commodities imported and exported, and not to a falling off in their quantity. If we compare the exports and imports separately, we find that there was an increase of yen 34,860,000 (£3,570,624) in the exports and a decrease of yen 42,050,000 (£4,307,078) in the imports, so that whereas there was an excess of imports over exports of yen 58,010,000 (£5,941,821) in 1908, the exports exceeded the imports by yen 18,910,000 (£1,906,905) last year.

An examination of the articles of import and export shows that the increase of exports was mainly due to an increased sale of cotton yarn and tissues, matches and other goods suitable for Chinese markets upon the revival of our trade with that country and also to a very brisk sale of raw silk, the sale of which rose to an unprecedented amount notwithstanding a fall in its price, while the principal causes of the decrease of imports were a reduced demand for vessels, machinery and other industrial appliances and textiles in consequence of inactivity of enterprise at home and curtailment in the national expenditure and a decrease of imported rice as a result of a rich crop in the country. The decrease of wheaten flour, sugar and kerosene was due, it is true, to reduced consumption, but must also be attributed in part to increased manufacture of these articles at home.

Although the volume of trade last year was inferior to that at the time of increasing prosperity of trade at home and abroad after the Russian war, still, when it is rememb-