

## JAPANESE CURRENCY.

## A RECORD FULL OF INTEREST AND ECONOMIC INSTRUCTION.

The war now so happily ended will have served to widen our knowledge of the financial methods and conditions of the Japanese Empire, which has exhibited such undreamt of military and naval strength as well as monetary resources since the fateful day when war broke out.

How few knew, two years ago, that Japan had any banks, or a system of paper currency, yet in these features, the Japanese have made remarkable strides in recent years towards the most enlightened banking and currency systems.

From the year 1600 to 1858, a coinage system was in vogue of a barbarous nature. Successive Governments debased the coinage, as was done in England, to raise money for the Crown. In 1870 reforms were introduced, and an ineffectual effort made to establish a gold standard. This was almost impossible for a nation in the midst of countries where silver was the standard. In 1878 a bimetallic system was established by the trade dollar, worth about 50 cents, being made a legal tender.

From 1868 to 1871 Government notes were issued, which were inconvertible. These notes were distrusted; they only passed at a discount. The next step was to issue Government bonds bearing 60 per cent. interest with a view to withdraw the notes and establish banks which are authorized to issue notes secured by these Government bonds. This system, adopted in 1872, was copied from the National Bank Act of the United States. The bank notes to be issued were limited to 100,000,000 yen, or about \$50,000,000. The plan was not a success; only 4 banks were established, and their notes were not popular, as under a somewhat complicated arrangement they were not really convertible into specie.

Still the amount of Government notes increased, they being issued in order to raise money and fill up gaps in the revenue. Improvements were introduced which led to a number of new banks being founded. A time of over-issues set in, as always occurs when notes are inconvertible. Prices rose enormously, imports were excessive, specie was sent abroad, people contracted luxurious habits of life, and business men ran wild in speculation. These evils reached a climax in 1880 and 1881. How closely these Japanese, who were then regarded as semi-barbarous, were treading in the steps of French financiers in the 18th century is an interesting fact.

To get matters in better shape by increasing the stock of silver the Yokohama Specie Bank was founded, but the bimetallic currency system—which some favour even to-day—nearly ruined this bank.

In 1882 the Bank of Japan was established which

had power to issue convertible notes. It 1885 the Government gave notice that specie payments would be resumed and all notes be payable in specie on demand. This led to greatly improved trade and financial conditions, but still there was the difficulty caused by silver being so fluctuating in value. The movement which became general to adopt a good standard caused silver to depreciate so that the ratio between it and gold, which was 1 to 15½ in 1873, in a few years changed to 1 to 17.85.

It was then decided to adopt the gold standard, a step which was rendered feasible by Japan being paid 250,000,000 taels by China, after the war of 1894-5. Out of the proceeds of this indemnity a gold reserve was formed.

A paper on this subject, by Mr. K. Iwasaki, master of Laws, Tokio University, was read before the Bankers' Institute of New South Wales on 29th June last, which is reported in the "Australasian Record."

The author points out, that the elimination of the fluctuating element in the value of Japan's currency has led to Japanese paper money being worth its face value all over the country, in Korea, in China and even in Hong Kong. He gave the following data as to the foreign trade of Japan since 1897, since the gold standard was adopted which is particularly interesting just now. We have converted the "yens" into dollars at the rate of 2 being equal to \$1:

Year.	Exports.	Imports.	Excess of imports.
1897.....	81,567,500	109,650,380	28,082,880
1898.....	82,876,870	138,751,070	55,874,200
1899.....	107,464,990	110,200,960	2,735,970
1900.....	102,214,990	143,630,920	41,415,930
1901.....	126,174,700	127,908,320	1,733,620
1902.....	129,151,500	135,865,600	1,714,100
1903.....	144,751,200	158,567,700	13,816,500

The records of Japan's currency movements in the past thirty years are full of interest and instruction. Effort after effort was tried to bring about stable financial conditions under a bimetallic and a silver standard, to improve the country's finances by issuances of Government notes unprotected by an adequate gold reserve, to provide banks with funds out of inconvertible note issues, but all these methods failed there, as they have done elsewhere, and it is highly to the credit of the Japanese rulers that they had the judgment to discern in what these system were defective and the statesmanlike wisdom and courage to abandon established methods that were rooted in popular favour and olden customs in order to build the national currency on the same solid basis of a gold standard as all the great nations of the West.