

JAPANESE FINANCES

The Russo-Japanese war, which led to the advance of the Mikado's island kingdom to the rank of world powers to be reckoned with, entailed enormous financial sacrifices upon Japan. The responsibility of maintaining a powerful navy and an expensive army, was necessary if the Japanese were to have weight in the councils of the nations, and to be of consequence enough to keep them in alliance with those who might be of value in helping to a realization of other designs. But it fell heavily upon a people who were without long training in the sacrifices necessary to support such responsibility, and had not grown into by slow, measured development. Glory and prominence had been won suddenly. It was one thing to have nobly pinched and endured to sustain a war, upon which the national existence depended, quite a different thing to go on year after year to sustain a mighty armament to bolster up the renown won, and exist upon the higher national basis which had been reached.

There are things to be borne in mind in considering the mutterings of unrest throughout Japan, and especially the difficulty experienced by Admiral Yamamoto's financial Budget. The Opposition, which came within five votes of overthrowing the administration on the division, are, as one of the leaders put it, "in favour of a root and branch policy of retrenchment." Industrial development is progressing in Japan, but with the poor wages paid, cannot afford excessive crippling by taxation. Foreign trade is growing, but needs a good deal of official encouragement. The Finance Minister, Baron Takahashi, has been forced to promise that a retrenchment of \$18,500,000 shall be effected in the coming year, and that expenditures by the Government shall be still further curtailed in the succeeding year. But the most powerful of the people, the old nobles, the large landowners, and the successful manufacturers and contractors, are disturbed by the radical tendencies of the Yamamoto administration, and are grumbling quite as much as are the lower classes.

One great reason for this is the new Income Tax Amendment Bill. This aims at shifting the tax burden on to the shoulders of the well-to-do classes to the relief of men of smaller incomes. A company with an income of \$2,000,000 would have to pay over 25, nearly 27, per cent per annum upon it in taxes! A property income of \$100,000 a year would be taxed \$18,955, besides other exactions! On ordinary partnerships the proposed rate rise from 4 per cent on incomes under \$2,000 to 22 per cent or thereabouts on incomes over \$100,000 a year. On property the income tax will run from \$11.50 per annum on incomes of 1,000 yen, \$500, to \$18,955, as we have noted, on those of 200,000 yen, or \$100,000.

It is true that some relief will be afforded to the stringent condition of the money market in Japan, by the \$40,000,000 railway loan, recently floated in France, which will replace domestic loans. Still, economically, conditions are certainly bad in the

Flowery Kingdom, and it will be well if the popular feeling does not break out in determined revolt against the expensive military armaments, considered necessary to the upholding of the national dignity, by the party in power.

Japan needs nothing more than commercial development along modern lines, and outlets for the output of its teeming labour market. The heavy taxation of industrial and commercial enterprise is to be resorted to only under special circumstances, in the case of a nation situated as Japan is at present. Possibly she needs factories and commerce more than she requires ironclads and regiments. History records of one great monarch that "his wars won great glory for his arms, but sadly impoverished his people,"—a passage which might be worth consideration by the Japanese powers that be.

MAKING WAR SINEWS TAUT.

Not at all a favourable impression has been created by the news that Germany as part and parcel of her new army bill arrangements will increase her stock of gold and silver retained as a "war chest" by 12,000,000 pounds, bringing the total up to 18,000,000 pounds it may be thought that this is not a great amount in proportion to the probable expenses of a great modern war, and it compares, of course disadvantageously, from the German viewpoint, with the huge amount of dead gold kept in the vaults of the Bank of France. The importance of the news, however, must not be underestimated for two reasons.

In the first place the step has doubtless been taken because Germany has recognized during the period of international political strain engendered by the Balkan trouble, that the influence exercised by French and British bankers has been too pronounced to be pleasing to German amour propre, even though the German government in this particular instance has been animated by the same pacific views as France and England. In the second place it is interestingly apparent to military experts that great modern wars will tend to be briefer—that is to say they will probably reach a decisive phase within a much shorter period than heretofore. The necessity, therefore, of not being cramped for funds just at the outset of a campaign is more urgent than ever, and the existence of an increased gold hoard in this connection will doubtless tend to allay any German fears which have arisen.

It is perhaps significant in view of the foregoing development that it should have been announced recently that a committee of bankers has been constituted to confer jointly with the Bank of England to inquire into the urgent question of England's gold reserves. It need not be supposed that this step has been taken entirely in connection with the increasing disposition of the continental powers to hoard gold for national and defensive purposes, though that fact will doubtless exercise a considerable influence upon any conclusions at which the committee will arrive.

General opinion in London is that it is high time definite measures were taken to increase our gold reserves, but at the same time it may be said with some emphasis that any policy which tended to put an end to free gold market conditions in the center would meet with plenty of opposition, since London's position as the world's exchange center is judged by economists to depend largely upon this free condition. There are certain features of the problem which must, however, be dealt with in a decisive manner, says a London authority, notably the situation created by India's omnivorous appetite for the yellow metal, as constituting a threat to the world's credit convenience.