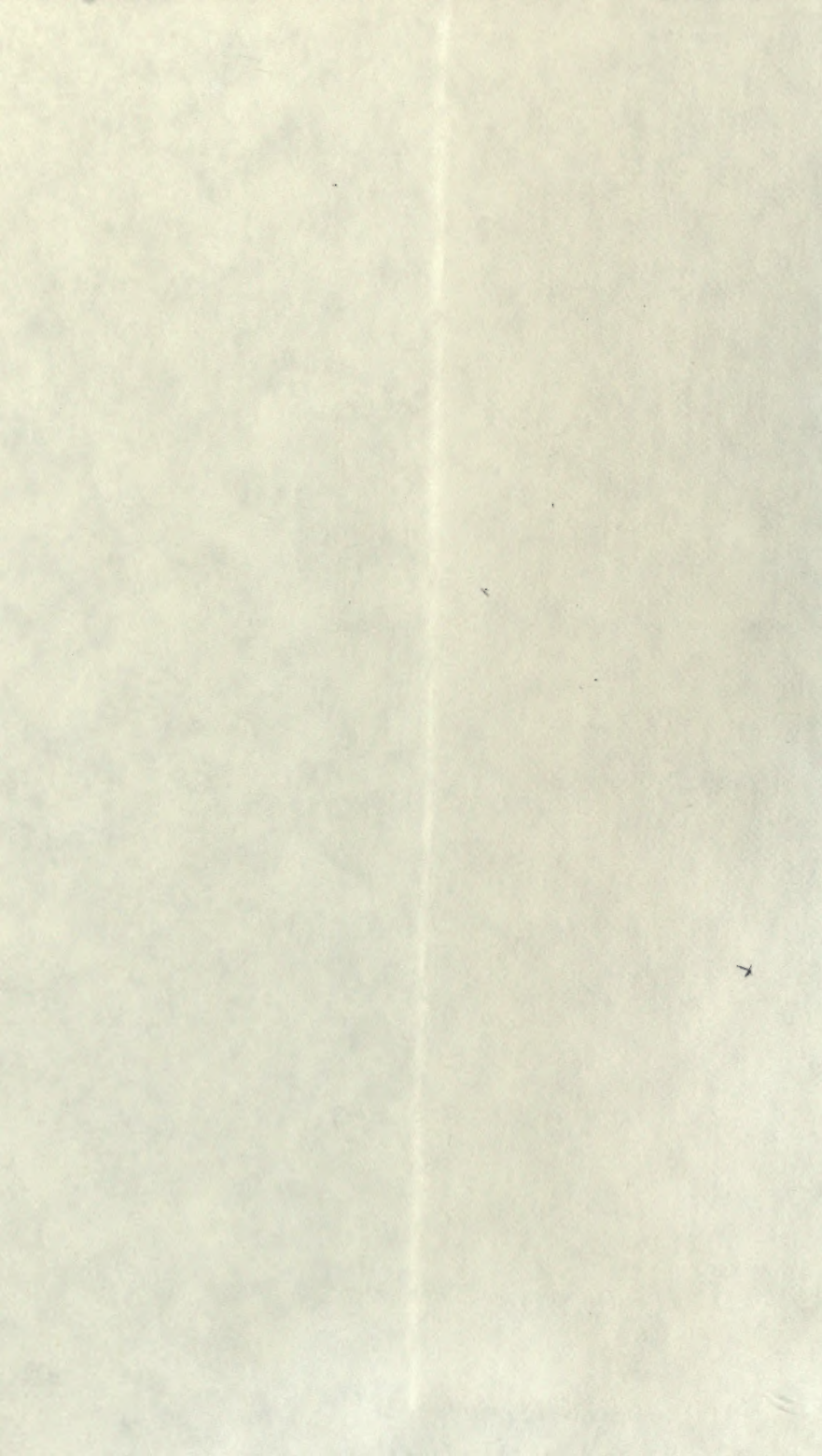
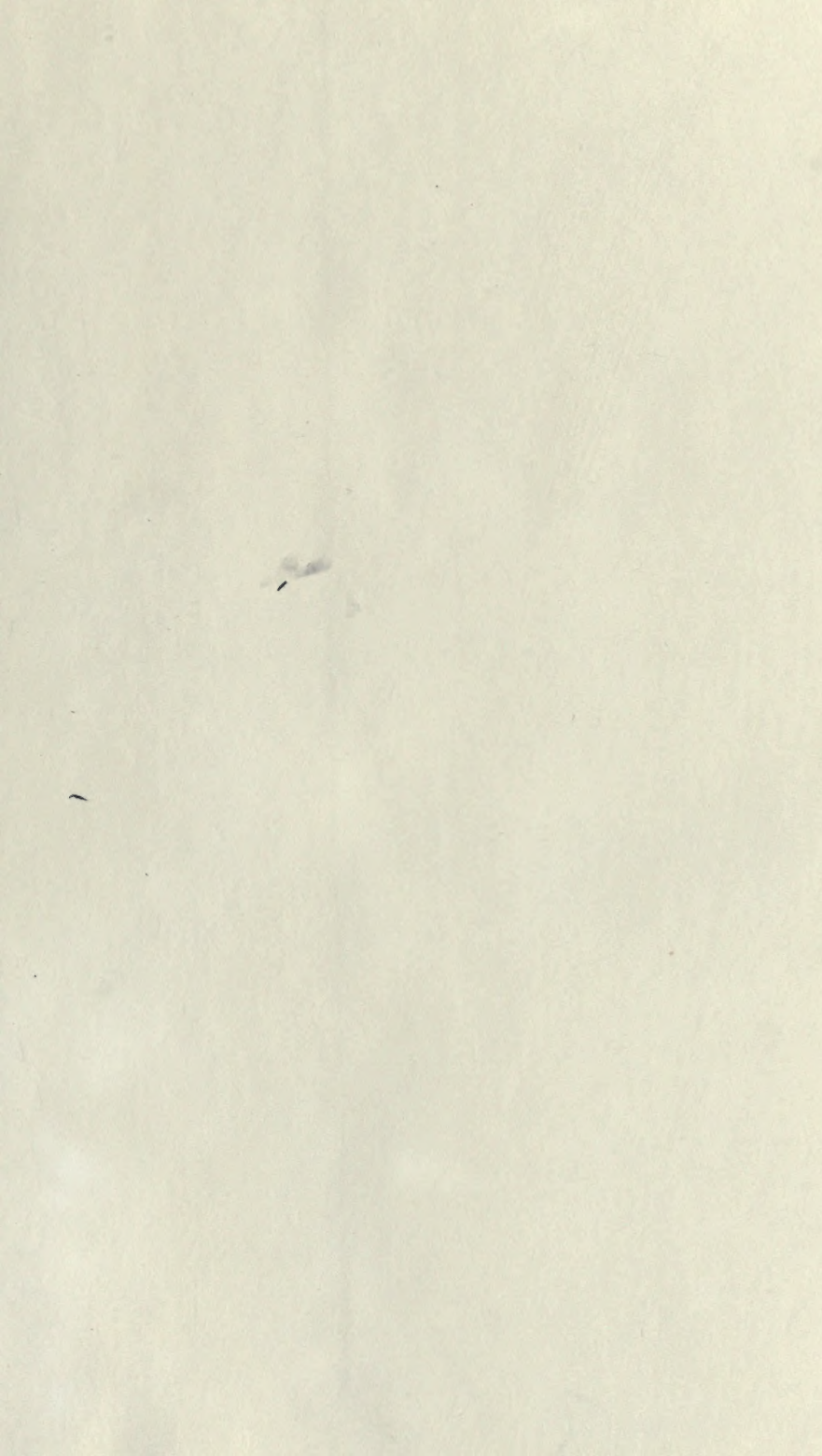



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Publications of the
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Division of Economics and History
John Bates Clark, Director

JAPANESE MONOGRAPHS

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Expenditures of the Sino-Japanese War, by Giichi Ono.

War and Armament Expenditures of Japan, by Giichi Ono.

EXPENDITURES OF THE SINO-JAPANESE WAR

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BY

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NOTE BY THE DIRECTOR

The plans of the Division of Economics and History of the Carnegie Endowment for International Peace have been transformed by the World War. Problems now calling for study transcend in importance those with which this Division has been dealing and material for research and record so far transcends any that was formerly available that it will demand almost exclusive attention for some years to come. A new world has evolved suddenly out of the world which we knew and the transformation extends to the foundations of government and of economic life.

The process of warfare itself is now so unlike that of former days that many military rules of the past have gone into the scrap basket. The late war ended when its deadliest tools had barely been brought into action. The peoples have fought as they had worked, by machinery, mechanical and chemical engines of destruction have decided the result and will decide in like manner the result of all wars of the future. Machine shops and chemical laboratories will so largely determine what armies shall win that fighting strength will be as much a matter of available capital and of science in applying it as of numbers of troops and strategy in directing them. It is safe to say that the death dealing arts and instruments will far surpass in destructiveness those which made the late war so deadly, and to a soldier of the future the order to march into a cloud of poisonous gas and a whirlwind of missiles will resemble an order to plunge into the rapids of Niagara. This is one central and obvious fact which the war has taught us and it has many corollaries, some of which have to do with the increased costs of war and the importance of the particular resources that make a nation powerful for offense and defense; but there are less conspicuous economic facts which are more fundamental, since they may determine where and when, if at all, wars shall hereafter occur.

Causes of warfare are always partly economic and those which incited the recent one were mainly so. The business plans of a powerful state reached to the ends of the earth

and so crossed and interlaced the claims of other states that some writers, then and afterwards, pronounced the war inevitable. If we assume a settled purpose on the part of such a state to encroach on the rights of others, we may say that it doubtless was inevitable. The victory of the defending countries has saved them from an immediate and intolerable domination, but it can not be taken as an assured fact that similar attempts will never again be made. The economic inducement continues and the means may at some time be forthcoming.

Within the several states war has democratized industry, giving to labor an increase of control—a change that if continued will entail momentous consequences; but still greater effects have been produced on the relations of states to each other. The world as a whole has changed more than its component parts and the new relation of the parts to one another is the critical element in the situation. The great increase in the economic functions of governments is one cause of this condition. Within the great international community in which the several states are units extensive economic functions have gravitated into the hands of governments and caused them to face each other as business rivals and to deal with each other in a multitude of ways in which the merely self-seeking policy of private business is intolerable. Power to invoke principles of justice and international law as interpreted by a competent court has become an indispensable means of allaying strife and this fact exalts to supreme importance the high court of nations which has just been established. It magnifies also the importance of the economic facts and principles with which the law itself will have to deal. It is not merely individual men or private corporations who now meet each other in the rough and tumble of a world-wide mart but states themselves, each representing its own population and seeking to foster its interests as a zealous and faithful agent. The chances of friction that are inherent in ordinary commerce inhere today in vast international transactions and will increase in the measure in which the intercourse grows. All this means a

great increase in incentives to warfare, on the one hand, and in the motives for preventing it, on the other. Private commerce unites more than it separates those who participate in it, and it remains to be seen whether international commerce will act in the same way; but, in view of what modern war means, the human race will deserve to perish, and much of it will probably do so, if the forces of strife are allowed to get the upper hand. Whether they will or not—whether the recent economic changes will tend to reduce warfare or to increase it—depends on the ability of nations to create and maintain the instrumentalities that in the new state of the world are necessary.

Certain it is that the feeling which prevails today, the world over, is not one of security. The dread of further war is greater than it was before 1914. In some areas war still prevails, in others peace is held by a precarious tenure and in all it can be firmly established only by conscious and intelligent action by the states themselves. Mere exhaustion holds war dogs temporarily in leash, but it will take more than that to tame them as they must be tamed if peace is to endure.

We here confront a wide difference between the several states in comparative desire for peace and disposition to maintain it. One portentous fact is the grim determination of Russian communists to extend their system by crude force from state to state. Bolshevism is government by the few and largely the bad masquerading as government for and by the people. In its mother country, Russia, the economic measure by which it began its career was confiscation of private wealth—in itself an ultra-democratic measure. If this had brought in a true communism, it would have been a ruthless and unjust measure for creating a peace-loving state. A just and orderly democratizing of industry in the several states would give new strength to the forces of peace, and it would be highly improbable that any state so influenced would try to extend its system over foreign countries by military invasion. Democracy, socialism, communism and bolshevism all appear in the aftermath of the war. The first of

them makes for future peace and so does even the conservative element in the second, while all else in the series means certainty of civil strife and danger of international war.

The fact that during the war governments had to take on innumerable functions that were formerly in private hands has lent an impetus to socialism and to the perverted growths that have accompanied it, and it has created a new international system the meaning of which is profoundly significant, though he who runs can not so easily read it. There are dangerous features in the system which the war evoked and, happily for mankind, there are available safeguards which were evoked with them and need to be retained if human effort can do it.

By a compulsion that there was no resisting, the war forced the nations of the Entente into economic cooperation with each other. Commissions centering finally in the Supreme Economic Council adjusted in a harmonious way questions that would otherwise have led to rivalry and conflicting action in purchasing war materials, securing ships, apportioning food, controlling railroads, financing the war and doing a multitude of other things with the one common purpose of victory. The special compulsion of the struggle is over, but it has left an aftermath of issues grave enough to make peace insecure unless something equivalent to the Supreme Economic Council survives in full efficiency. The agency that did so much to win the war can do so much to prevent another one, but to that end it will have to be guided by economic principles and it is a saving fact that these still survive. The war has not abolished the law of demand and supply, though governments may forget it. In the coming era they must build better than they now know. Economic knowledge must either go in advance of action and prevent disaster or follow action and be learned from disaster. Beyond computation is the importance of attaining the knowledge and using it when evil impends and prevention is possible.

JOHN BATES CLARK,
Director.

NEW YORK,
September 27, 1920.

AUTHOR'S PREFACE

When Japan emerged from the old regime and instituted the present system of government at the time of the restoration of the governmental power to the Emperor, she was beset with many troubles both from within and without and the future destiny of the Empire seemed hanging in the balance. Yet, within no more than half a century, extraordinary changes have taken place and Japan has today become one of the great Powers, having developed her present state of national power and prosperity in that short period. Such a record is hardly paralleled in any other country. Japan's history, therefore, during the fifty years of the Meiji Era, has, it is needless to say, a unique place in the history of the world, while the Sino-Japanese War, which is treated in this book, has likewise an especially important position in this period of Japan's history. There are two reasons for assigning to it such special importance: one is the effect of that war upon Japan; the other is its special effect upon China and the various foreign countries which had interests in the Far East. I shall, for the sake of convenience, call the former the internal, and the latter external, effect.

The Sino-Japanese War was the first international war in which Japan had engaged since the restoration of Meiji. At first the people generally did not believe in the possibility of final victory, but fortunately for them the laurels were awarded to Japan at last. The nation then, for the first time, realized the latent power which she had been conserving since the restoration, and henceforth Japanism as opposed to the Europeanism of the ante-bellum period has been encouraged, and the nation has constantly planned for the development of this national power to the fullest extent. Now this new national consciousness may be considered as the internal effect of the war. At once Japan made remarkable progress in all directions. The enlightened measures adopted, together with

the resulting economic development, furnish materials for a valuable discussion of the effects of the war and for an authentic history of the nation's development in modern times. As for the external effect of the Sino-Japanese War, it had a special significance, in its exposure of the weakness of China. The loosening of the national bond of unity of China had long been foreseen by intelligent observers; but the Sino-Japanese War clearly showed the accomplished fact to the world. Consequently, both Europe and America, who have for many years kept watchful eyes upon enterprises in the Far East, realized that their opportunity was at hand. They vied with each other in efforts to secure concessions, so that Far Eastern affairs assumed special importance in reference to the world's political and economic questions. All this was a result of the Sino-Japanese War.

Such were the internal and external effects of this war. As for the economic effects, they too have been very great. They have completely changed the economic relations of the Far East. Consequently, a discussion of that war in its relation to Japan and especially to the economic conditions of the Far East will help greatly in making clear how the new situation in the Orient has been brought about. The value of such discussion is immeasurable. While, to be sure, this book does not go so far as to treat of the external effects of the war, yet, even as a discussion of the internal effects alone, the work forms a valuable history of the economic development of Japan. From this point of view it may be seen how important the Sino-Japanese War was in the economic development of Japan.

The author of this work, Mr. Keiichi Asada, has long served in the Department of Finance, where he has been actively engaged in work relating to money circulation and finance. The figures which are assumed as basis of the arguments in this book were obtained after careful investigation and are trustworthy in the highest degree. Today, any one who wants to make investigations of the same kind must depend upon the materials in the possession of the Department of

Finance. The author has made good use of these materials. And there is only one thing to regret. That is, that, on account of the limited scope of the present treatise, the author could not adduce additional figures in proof of his arguments. However, he has not failed to grasp the general principles underlying those figures, and to this fact the present editor, in his concluding remarks, desires cordially to attest.

GIICHI ONO.

TOKYO, JAPAN,
May, 1916.

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EXPLANATORY TABLES

VALUE OF JAPANESE CURRENCIES

Japan adopted the gold standard system in 1871, but the inconvertible paper money became principal currency a few years later. In 1886 the paper money became convertible into silver and after that date the Japanese currency system was the silver standard *de facto*, until on October 1, 1897, the gold standard system was legally adopted. The figures necessary to ascertain the value of Japanese currencies are given below:

- (1) 1 gold *yen* (according to Coinage Law of 1871) contains 1.5 gramme pure gold.
- (2) 1 gold *yen* (according to Coinage Law of 1897) contains 0.75 gramme pure gold.
- (3) 1 silver *yen* contains 24.261 gramme pure silver.
- (4) The value of 1 silver *yen* in the English currency (according to the demand rate of exchange on London in the average of the year) is as follows:

| | s. d. | | s. d. | | s. d. |
|-----------|--------|-----------|--------|-----------|--------|
| 1874..... | 4.02.0 | 1882..... | 3.08.8 | 1890..... | 3.04.5 |
| 1875..... | 4.00.8 | 1883..... | 3.07.9 | 1891..... | 2.02.6 |
| 1876..... | 3.11.2 | 1884..... | 3.07.9 | 1892..... | 2.10.5 |
| 1877..... | 3.11.7 | 1885..... | 3.06.0 | 1893..... | 2.06.7 |
| 1878..... | 3.09.4 | 1886..... | 3.03.2 | 1894..... | 2.01.2 |
| 1879..... | 3.08.0 | 1887..... | 3.02.0 | 1895..... | 2.01.3 |
| 1880..... | 3.08.9 | 1888..... | 3.01.0 | 1896..... | 2.02.0 |
| 1881..... | 3.08.4 | 1889..... | 3.01.1 | 1897..... | 2.00.4 |

- (5) The value of 1 *yen* of paper money in the English currency (calculated on the basis of the above mentioned exchange rate and the quotations of the silver price in the Tokyo Exchange in the average of the year) is as follows:

| | s. d. | | s. d. | | s. d. |
|-----------|--------|-----------|--------|-----------|--------|
| 1877..... | 3.10.1 | 1880..... | 2.06.4 | 1883..... | 2.10.7 |
| 1878..... | 3.05.6 | 1881..... | 2.02.1 | 1884..... | 3.04.3 |
| 1879..... | 3.00.3 | 1882..... | 2.04.5 | 1885..... | 3.03.7 |

- (6) 1 *ryō* (unit of value of the old currency system) was declared in the Coinage Law of 1871 to be equal to 1 *yen*.

CHRONOLOGICAL TABLE

| Meiji | 1st | 1868 A. D. | Meiji | 15th | 1882 A. D. |
|-------|------|------------|-------|------|------------|
| " | 2d | 1869 " | " | 16th | 1883 " |
| " | 3d | 1870 " | " | 17th | 1884 " |
| " | 4th | 1871 " | " | 18th | 1885 " |
| " | 5th | 1872 " | " | 19th | 1886 " |
| " | 6th | 1873 " | " | 20th | 1887 " |
| " | 7th | 1874 " | " | 21st | 1888 " |
| " | 8th | 1875 " | " | 22d | 1889 " |
| " | 9th | 1876 " | " | 23d | 1890 " |
| " | 10th | 1877 " | " | 24th | 1891 " |
| " | 11th | 1878 " | " | 25th | 1892 " |
| " | 12th | 1879 " | " | 26th | 1893 " |
| " | 13th | 1880 " | " | 27th | 1894 " |
| " | 14th | 1881 " | " | 28th | 1895 " |

CHRONOLOGICAL TABLE—(Continued)

| | | | |
|------------|------------|--------------|------------|
| Meiji 29th | 1896 A. D. | Meiji 41st | 1908 A. D. |
| “ 30th | 1897 “ | “ 42d | 1909 “ |
| “ 31st | 1898 “ | “ 43d | 1910 “ |
| “ 32d | 1899 “ | “ 44th | 1911 “ |
| “ 33d | 1900 “ | “ 45th | 1912 “ |
| “ 34th | 1901 “ | Taisho 1st } | 1913 “ |
| “ 35th | 1902 “ | “ 2d | 1914 “ |
| “ 36th | 1903 “ | “ 3d | 1915 “ |
| “ 37th | 1904 “ | “ 4th | 1916 “ |
| “ 38th | 1905 “ | “ 5th | 1917 “ |
| “ 39th | 1906 “ | “ 6th | “ |
| “ 40th | 1907 “ | | |

WEIGHTS, MEASURES AND MONEY

With English, American, French and German Equivalents

| Japan | Great Britain | U. S. of America | France | Germany |
|--|---|--|------------------------|-------------------------|
| <i>Ri</i> = 36 <i>Chō</i> = 2,160 <i>Ken</i> = 12,960 <i>Shaku</i> | { 2.44030 Miles | 2.44029 Miles | 3.92727 Kiloms. | 3.92727 Kiloms. |
| <i>Ri</i> (Marine) | { 1.15152 Miles | 1.15151 Miles | 1.85318 Kiloms. | 1.85318 Kiloms. |
| Square <i>Ri</i> | { 5.95505 Sq. Miles | 5.95501 Sq. Miles | 15.42347 Km. Carrés | 15.42347 Quadrat Km. |
| <i>Cho</i> = 10 <i>Tan</i> = 100 <i>Se</i> = 3,000 <i>Bu</i> | { 2.45064 Acres | 2.45062 Acres | 99.17355 Ares | 99.17355 Ar. |
| <i>Tsubo</i> = 10 <i>Gō</i> = 100 <i>Shaku</i> | { 3.95369 Sq. Yards | 3.95367 Sq. Yards | 3.30579 Centiares. | 3.30579 Quadratm. |
| <i>Koku</i> = 10 <i>To</i> = 100 <i>Shō</i> = 1,000 <i>Gō</i> = 10,000 <i>Shaku</i> | { 4.96005 Bushels | { 47.65389 Gallons (Liq.) 5.11902 Bushels (Dry) | 1.80391 Hectolitres | 1.80391 Hectolitres |
| <i>Koku</i> (Capacity of ship) | { 1/10 of one Ton | 1/10 of one Ton | 1/10 de Tonne | 1/10 Tonne |
| <i>Kwan</i> = 1,000 <i>Momme</i> = 10,000 <i>Fun</i> = 100,000 <i>Rin</i> | { 8.26733 lbs. (Avoir.) 10.04711 lbs. (Troy) | 8.26733 lbs. (Avoir.) 10.04711 lbs. (Troy) | 3.75000 Kilogs. | 3.75000 Kilogs. |
| <i>Kin</i> = 160 <i>Momme</i> | { 1.32277 lbs. (Avoir.) 1.60754 lbs. (Troy) | 1.32277 lbs. (Avoir.) 1.60754 lbs. (Troy) | 0.60000 Kilogs. | 0.60000 Kilogs. |
| <i>Yen</i> = 100 <i>Sen</i> = 1,000 <i>Rin</i> = 10,000 <i>Mō</i> | { 2.0.582 s. d. | 0.4984 Dollar | 2.583 Francs | 2.0924 Marks |

CONTENTS

PART I—EXPENDITURES OF THE SINO-JAPANESE WAR

| CHAPTER | PAGE |
|---------------------------------------|------|
| I Introduction | 3 |
| II Disbursements of the War | 35 |
| III Supply of War Funds | 47 |

PART II—ECONOMIC EFFECTS OF THE SINO-JAPANESE WAR

| | |
|--|-----|
| I Introduction | 81 |
| II Effects on Public Finance | 87 |
| III Effects on the Money Market | 152 |
| IV Effects on Industries | 208 |
| V Effects on Commerce | 224 |
| VI Effects on Transportation and Communication | 254 |
| VII Effects on Primitive Industry | 273 |
| VIII Social Effects | 278 |
| IX Conclusion | 320 |
| INDEX | 325 |

PART I
EXPENDITURES OF THE
SINO-JAPANESE WAR

NOTE.—In the tables throughout this volume, fractions of *yen* greater than one half have been counted as a whole *yen* and the other fractions have been disregarded.

CHAPTER I

INTRODUCTION

CAUSES OF THE WAR

What the Balkan peninsula has so long been to Europe, the peninsula of Korea has for centuries been to the Far East—a “haunted palace” wherein lurked an unceasing source of danger to the peace of the Orient. With a vast empire more than four thousand years old as its immediate neighbor on the one side and the indomitable Empire of Japan on the other, it was not strange that the peninsula never gave birth to a strong or independent nation, for it is scarcely possible for small trees to flourish among giants of the forest.

With an area of some 75,000 square miles (almost as large as Italy) and a population of about 12,000,000 (more than that of Scandinavia) the country can not be regarded as insignificantly small; yet, overshadowed as it was by two great masculine powers on either side, it never evinced remarkable virility or greatness. The comparative smallness of the peninsula, however, has been the main reason why the rulers of the land were unable to maintain undisturbed relations with their neighbors or establish a stable government. Notwithstanding the fact that various monarchies arose in the peninsula from time to time, each in turn assumed a character either of half-hearted independence or of meek subordination, ever at the mercy of its more powerful neighbors whom it sought to humor by continual evasion, obsequiousness and adulation. No sacrifice of national honor or prestige was too great for the maintenance of a mere existence. Indeed it is scarcely too much to say that there never has existed any really independent government in Korea, as the feeble and fickle national entities of the peninsula have always wavered in uncertain existence through the political upheavals and changes constantly taking place on the Asiatic continent. It was this continued political instability of Korea that ren-

dered the country a menace to the peace and welfare of Japan and the whole of the Far East.

Even the Li dynasty, which five hundred years ago overthrew the kingdom of Korai, was unable to prove more permanent than its predecessors, following along in the same path of inconstancy and fluctuation. As its power declined from year to year it resorted to every possible temporizing expedient that suggested itself for the prolongation of its life. Japan, while she showed sympathy and sought to help Korea become a vigorous and independent power, free from disintegrating disturbances, was helpless to effect reform, as she always found her good offices ignored or treated with discourtesy.

In spite of the repeated misdeeds and incivility of Korean officialdom during the early part of the Meiji Era, Japan persisted in her policy of leniency and willingness to forgive, protecting the peninsula from aggression and leading all other nations in recognizing its independence by signing a treaty to that effect in 1877. But notwithstanding these efforts for peace and reform, the misguided officials of Korea gave this all-important question no consideration, but, on the contrary, devoted their time to internecine strife in following out their petty ambitions for higher authority, often engaging in perilous schemes for crushing their rivals. Thus, both the national and international affairs of the country were left to go their own way.

All this time China had been regarding Korea as a dependency of her own, and was interfering both directly and indirectly in the internal affairs of the helpless country. It was but natural, perhaps, that China should mistrust and dislike Japan's paternal attitude toward Korea and try by every means to prevent greater intimacy between them, a policy which finally culminated in the uprisings of 1882 and 1884. Each of these insurrections was due to a struggle for superiority between the Conservatives and Progressives, the one party siding with China and the other with Japan, time driving them farther and farther apart. Consequently after the

disturbances of 1884, in order to prevent an unwelcome conflict with China, Japan concluded the Treaty of Tientsin, which recognized and authorized equality of rights for both Japan and China in the peninsula. Nevertheless, China obstinately continued to regard Korea exclusively as her own dependency, thus paying little or no attention to the treaty. Having long maintained a footing in Korea, China now assumed an aggressive and menacing attitude, contriving so to complicate the situation as to render it intolerable to Japan. Apparently it was China's policy to subject Japan to insufferable pressure and leave her to take what course she would, knowing that the island empire could not continue to go on yielding step by step to the aggressor. Thus was laid the egg from which was hatched the Sino-Japanese War.

Historically, of course, there should have been no ground of conflict between Japan and China. Their relations from the earliest days had been those of friendly neighbors, having their common roots in similar doctrines as to government, nature of civilization, law, art, literature, religion and morality. In former times Japan had in many lines been a pupil of China, imbibing the virtues of early Chinese civilization which in ancient times was remarkably advanced. But with the incessant expansion of European activity in the Orient, Japan was well-nigh obliged to strike out for herself and soon left China far behind. Japan labored earnestly for the introduction of enlightened laws, form of government and mode of living; whereby she soon grew into a nation far superior to her former self and also to her big neighbor, from whom she had once been content to learn. Meanwhile, China remained unchanged, confined to the rut which she had trodden for thousands of years. Already separated by a narrow sea, the two nations now became separated by differences in civilization and national policy, the one aspiring to enjoy the best of western civilization, the other slumbering in antiquated Asiatic conventionalism. Consequently, though Japan had once regarded China as a great nation, she now could not but consider her as stubbornly conservative, incapable, and even

moribund; while China, on her side, looked upon Japan with contempt, as an upstart and a shallow imitator of western barbarians—in fact, a mischievous and diminutive empire that could accomplish nothing great. Thus estrangement grew ever more pronounced as the two countries fell further and further apart in thought and action, until at last the inevitable open conflict was seen to be close at hand.

Moreover, the natural pride and mutual suspicion of the two countries, of nearly equal strength, now tended to accentuate mutual hatred and jealousy and each began to take warning and prepare for a sudden rupture of relations. The Loochoo and Formosan questions, discussion of which we reserve for later treatment, would not have led to repeated failure of negotiations, and finally to trouble, had China and Japan been on friendly terms at the time. The unhappy estrangement was then far advanced and ever growing wider and deeper; and so, after the disturbances of 1882, Korea became the principal cause of dispute between Japan and China. The Togakuto affair only brought the trouble to a head, and showed that at some time in the future Japan would be forced to take up arms to settle her difficulties with China, to ensure reform in Korea, and peace in the Orient.

As the fate of Japan was bound up with that of Korea she could no longer endure the ever-increasing maladministration and degradation of the hermit kingdom. In addition, China's constant disregard of her treaty with Japan, especially after the Togakuto difficulty, her treating Korea as still a Chinese dependency, together with her attempts to intimidate Japan to gratify her own caprices, rendered conflict inevitable. Though Japan was well aware of the backward state of China, she yet had no desire to come to blows with so great and ancient a nation. Nothing but absolute necessity for the defense of her own existence would ever have induced Japan to take up arms against China.

In short, the Sino-Japanese War was a conflict between two civilizations that had grown too dissimilar to exist longer in harmony side by side; but the Korean question was its

immediate cause; and it was specifically the means whereby Japan sought to establish permanently her own independence and the peace of the Far East. In Japan sympathy with Korea was universal, coupled with a strong desire to check the arrogance of China by a chivalric blow. Doubtless, as in all wars, there were other contributory causes, for never in the history of the world has any country gone to war and undergone sacrifice of men and money merely for the sake of another nation! Definite proof of this contention could be advanced in examples beyond number. Japan's ultimate action against China was not without good cause for it was for the sake of her own existence and for Oriental peace. Now, we shall proceed briefly to review the historical relations between Japan and China, the immediate cause of the war, the disbursements consequent upon the war, and the economic effects of the war.

HISTORICAL RELATIONS BETWEEN JAPAN AND CHINA

The war between Japan and China brought to an end the dispute as to Korea, driving the Chinese forces permanently out of the peninsula; and furthermore it introduced Japan to the outer world, assigning her a new position among the powers. The war, moreover, exposed the weakness of China and hastened the decline of her territorial integrity. Soon afterwards she was compelled to submit to the German occupation of Kiaochow, to lease Port Arthur to Russia, Weihaiwei to the British and Kwangchow Bay to the French, all sweeping changes which occurred immediately after the war. Before that time there had been some aggression on the part of Western Powers in China, such as the Opium War, the Franco-British allies' capture of the Taku forts, and the Sino-French War; but these were insignificant compared to the inroads which took place after this war. Thus Japan opened the eyes of European Powers to possibilities in the Far East at a time when there was nothing in Europe to tempt their lust for territorial expansion.

Historically, as well as geographically, the Korean peninsula

has been the bridge by which Japan has always sought access to the continent of Asia; and at the same time she has always regarded it as a barrier to assure her territorial safety. It is clear from the pages of history that, as the unification of the empire became more firmly established and population expanded, the overflow ever sought relief in the direction of Korea. Expeditions to Korea by the Emperor Sujin, the Empress Jingo, Hideyoshi Taiko, as well as the argument for Korean invasion in the early part of the Meiji Era, are vivid experiences in the memory of Japan. In his history of Korea, Dr. William Elliot Griffis well says that it is impossible to discuss the history of the peninsula without taking Japan into consideration, just as one can not deal with medieval English history without including France. Having had so intimate an historical relationship with that country, the Japanese mind feels naturally both familiar with and friendly toward the Korea of today. From the dawn of Japanese history comes the tradition that Susano-no-Mikoto dispatched his son Isotake-no-Mikoto to Korea to occupy and rule Soshimori in the kingdom of Shiragi; and mythology suggests that Okuninushi-no-Mikoto transported from Korea the territory with which to extend the promontory of Kizuki in the Izumo Province. As there is usually some substratum of fact underlying tradition, we may infer that intercourse between Japan and Korea has been intimate and unbroken from earliest times. It would, therefore, seem but natural that Japan should occupy a part of Korea in establishing her relations with the continent of Asia.

As to China's relations with Korea, it must be remembered that that dynasty, as soon as it attained full power, invaded and oppressed the peninsula without mercy. Modern intimate relations between the two began about the year 1620, in the reign of the Emperor Tai Tsung of the Chin dynasty, after which time the Chinese practically exercised suzerainty over Korea and extorted tribute from her; yet, shrewdly enough, whenever any trouble arose over affairs in the peninsula, China tried to escape all responsibility, even to the extent of

denying her protectorate, while Korea in each case handed all the profits to her overlord. Although China thus formally denied her authority over the country, she never for a moment abandoned it in fact; and, consequently, when the trouble arose with Japan, the Chinese Government, having already lost her reputation for diplomacy, had no recourse but an appeal to arms.

The first trouble with foreigners came in 1865 when a French missionary was assassinated. Prince Heung-Sun, father of the then Emperor of Korea, better known as Tai-Wonkun, cast over the government the shadow of his blind nationalism; and when a Russian ship visited Wönsan, requesting permission to trade with Korea, the Prince asked the French missionary Bellenue to request the foreign vessel to leave the port at once. The missionary declined to interfere and the Prince, suspecting him of being a European spy, had him beheaded. When satisfaction was demanded by the French Legation at Peking the Chinese authorities endeavored to evade responsibility by replying that the peninsula was no longer a possession of China. In the following year, when the wreck of the *General Sherman* and the massacre of her crew on the banks of the Taidong River created international complications, China again tried to shift the responsibility, answering that she had no authority over Korea in matters relating to war and peace. Yet two years afterwards, when Japan sent an embassy to Korea for the purpose of acquainting the peninsular government with the Meiji Restoration and consequent political changes and also to renew friendly relations, the Koreans (being stirred up by China), suspected Japan's motives, and treated the embassy with disdain. In 1872 Japan brought to an end the practice of sending a tribute-bearing vessel from the Tsushima clan and proclaimed free commercial intercourse, stationing an official at Fusan for this purpose. But Prince Heung-Sun offered an unwarranted official insult which created universal indignation in Japan, where there arose a general demand for the chastisement of Korea. In the following year Count Soejima was dispatched

to China to request explanation of the offense and to ascertain definitely the exact relation between China and Korea; whereupon the Chinese Government denied, as before, that it was in any way responsible for Korea, saying that the peninsula was in no sense a vassal state.

Although the Japanese Government and people endured with remarkable patience the insults inflicted by Korea, the latter country in no way amended her attitude; and in August, 1875, when Lieutenant Commander Ryoka Inouye, who had been engaged in surveying operations on board the warship *Unyo*, anchored off the island of Kanghwa near Seoul, he was fired upon by the island forts. The Japanese ship replied and destroyed the forts as well as killing 35 of the garrison. Upon the affair being reported by the Commander to the Japanese Government, Japan immediately dispatched her men-of-war to Fusan, to protect the Japanese there. In 1876, an envoy was at once sent to demand satisfaction, the mission including Kiyotaka Kuroda as chief and Kaoru Inouye as vice minister. This embassy requested satisfactory settlement of the Kanghwa question and the opening of Korean ports to trade. Aritomo Yamagata, then Minister of War, proceeded to Shimonoseki with troops so as to be ready for any emergency. The repeated negotiations proved abortive and the embassy was about to abandon its fruitless efforts and return when suddenly Bokukeiju, a state councillor, and Goko, an interpreter, revolted against Prince Heung-Sun and insisted on opening the peninsula to trade, to which the Korean Government finally assented; and on February 26, 1876, a letter of apology was offered for the Kanghwa Island affair and a treaty of 12 articles signed, the main points of which were that (1) Korea was to remain an independent kingdom and enjoy relations with Japan on equal terms; (2) that both countries should be ready to exchange envoys at any time necessary; (3) that after 29 months Korea was to open two ports to trade, Japan having leave to station consuls there; (4) that Japanese navigators were to have permission to survey Korean waters; and (5) that cases of trouble

among the nationals of either country residing in the two open ports were to be settled by the officials of the nationals concerned.

The treaty being duly signed the Japanese representatives returned, and the Korean Government dispatched a special envoy to Tokyo to strengthen the friendship with Japan, while the latter created a legation in Seoul, sending Yoshikata Hanabusa as Chargé d'Affaires. In 1887 when the Korean authorities attempted to expel all foreign missionaries, the French Minister in Tokyo endeavored to have the Japanese representative in Seoul mediate for the relief of the missionaries, and the Japanese Government opened negotiations in the matter; but, discovering in the Korean reply phrases that indicated Korean acknowledgment to being a tributary state of China, Japan objected, and Korea reported the matter to China. As the Chinese reply contained similar contentions, Japan rejected that also. No further discussion was carried on, as Japan's treaty with Korea had already settled the matter of that country's independence.

Previous to this, in 1872, there had been trouble in Formosa, when some natives of Miyako Island, Loochoo, who had been cast ashore in Formosa, were murdered by the natives, the same crime being repeated in the following year on men from the prefecture of Oda. To avoid a repetition of such outrages, the Tokyo Government made Loochoo distinctly a Japanese possession, instead of allowing its ruler to pay tribute both to Japan and China as before, and dispatched Count Soejima to China to carry on negotiations. Up to this time about half of Formosa had been under Chinese rule, while the rest was abandoned to anarchy. China, as usual, endeavored to fight shy of responsibility, denying that she had any authority over the island. But alarmed by the overwhelming victory of the Japanese expedition to Formosa, involving, as it did, the surrender of numerous clan chiefs, China demanded the withdrawal of the Japanese forces. Japan refused to comply with the demand but after various negotiations agreed to evacuate on condition that China recognize Japan's sov-

ereignty over the Loochoo Islands and pay an indemnity of 500,000 *taels*.

In consequence of the increasing influence of Japan in Korea and the intimacy that now marked their relations after the settlement of the Kanghwa affair, as well as on account of Japan's firm attitude in regard to the Loochoo and Formosan questions, China began to feel uneasy and wished to check the further advance westward of Japan's influence. To achieve this object with some appearance of tact, China invited Occidental Powers into the peninsula, the United States being the first to be so favored. She even dispatched a warship of her own to bring over the American envoy, and it is said that Li Hung Chang himself drew up the articles signed by the United States and Korea. He, moreover, informed Prince Heung-Sun that to form a treaty with Western Powers was the best way to ensure the safety of Korea. Great Britain, Germany and other powers at once followed the American example. Here we see clearly the change of Chinese policy toward Korea. But notwithstanding all the efforts of Li Hung Chang to carry out his plans secretly, there was a sudden turn of affairs, which had its origin in the political disorder that occurred in Seoul in 1882.

In accordance with the treaty of 1876, Korea opened the port of Wönsan to trade in May, 1880, and proposed to open Chemulpo, to which Japan had sent a surveyor, in July, 1882. By this time Japanese influence was becoming dominant in the Progressive party in Korea and a strong organization was effected. In addition, important reforms were brought about in the military system of Korea, and Lieutenant Hori of the Imperial Japanese Army became instructor. The leaders of the Progressives were Kim Ok Kiun, Hung Tiyong Ou and Li Sai Ben, who had the sympathy and support of the leader of the Mins. The Conservatives were led by Prince Heung-Sun, who hated everything foreign and began an intrigue against the Japanese and the Progressive party. The Mins, who were members of the family of the Queen of Korea, had for many years filled the highest offices of state. The Con-

servatives now planned to drive out the Japanese, even if it required force. The native soldiery were deprived of proper rations until infuriated, and then were told all sorts of malicious stories about the Japanese. On pretext of punishing Min Ken Kwong, a member of the Min clan, for some slight offense against army regulations, a furious mob gathered and began to hunt the Japanese to death, and the legation was attacked. The Japanese Minister, Hanabusa, with over twenty of his fellow countrymen, fought his way out into the terrorized streets of Seoul and escaped to Chemulpo, where he embarked on a junk and was picked up by a British ship and taken to Nagasaki. This outbreak took place on July 23, 1882.

Upon receiving the report of the Japanese Minister regarding the affair, the government sent him back to Seoul on August 20, to demand an explanation of the King. In the meantime, Prince Heung-Sun had already assumed the reins of government and on the minister's arrival showed no sign of a conciliatory mood. The latter was, therefore, obliged to withdraw to Chemulpo. Then Li Hung Chang, fearing that Japan might either kidnap Prince Heung-Sun or dethrone the King in some plot with the Prince, dispatched a body of troops under Yuan Shi Kai, Bakeuchu and Teijosho to Korea, the intention being professedly peaceful. Under pretext of inviting Prince Heung-Sun to a friendly conference, the Chinese laid hands on him and spirited him away to China. On the Prince's departure, the scene changed in a flash. The Progressive party assumed office and a treaty was signed at Chemulpo on August 30, 1882. By this agreement the Korean Government had to apologize to Japan, and to permit the presence of Japanese troops in Seoul to protect the legation; the cost of furnishing as well as of repairing the barracks for the guard had to be borne by the Government of Korea. Japan agreed to withdraw the guard after one year from the signing of the agreement if she deemed it safe to do so. Other clauses of the treaty provided for the opening to trade of Wönsan, Fusan, and Chemulpo, etc., and the port of Yokai-chin after a year, while the Japanese Minister and staff were

given permission to travel in the interior. It is significant that at this time Japan again acknowledged the independence of Korea, and consented to use in the treaty the date of the Korean calendar, which was the four hundred and ninety-first year from the founding of the dynasty. It was from that date also that the Korean national flag began to be used.

The action of the Chinese in abducting a Korean prince and detaining him at Tientsin could only be regarded as one more proof of China's desire to treat Korea as a subject state. From this time China endeavored by all means to associate herself with the home affairs of Korea, which finally compelled Japan to attempt to remove Chinese influence entirely from the peninsula.

In January, 1883, the Japanese Government sent Shinichiro Takezoe as resident minister to Korea, allowing him a legation guard in accordance with the rights conceded in the treaty of Chemulpo. At that time Yuan Shi Kai was also in Seoul, backed by a considerable force, and was laboring assiduously, through the efforts of Min, for the establishment of Chinese influence throughout the peninsula, Min on his part aiming at promoting his own personal interests with the assistance of China. The Progressive party, being thus left in the lurch by Min, looked to the Japanese Minister for sympathy and waited for a favorable opportunity to strike an effective blow at the Conservatives, who were then wavering considerably, owing to China's trouble with France over the Annam boundary question. On December 4, 1884, during an official dinner in Seoul to celebrate the opening of the Postoffice, the opportunity was seized by Kin Gyoku Kin, Bokueiko, and others of the Progressive party to attack Prince Min, who, together with several of the ministers of the Conservative party, was assassinated; they further endeavored to place the King's palace under guard.

The King having requested protection, a Japanese force under Minister Takezoe entered the palace and ensured safety. The next day a cabinet representing the Progressive party was formed, but at dawn on the succeeding day Yuan Shi

Kai, assisted by the remnant of Min's followers, attacked the palace. The Japanese force defended it, but in vain. They finally had to retire to the legation, the King taking refuge with the Chinese forces and a Conservative cabinet being installed. That night the Japanese Legation was assaulted and the minister, accompanied by his staff, together with Kim and Hung, fled for their lives to Chemulpo, leaving the legation in flames. The Japanese Government then dispatched Kaoru Inouye, Minister of Foreign Affairs, as plenipotentiary to Seoul for the settlement of the trouble. The Treaty of Seoul was signed on January 9, 1885, requiring an apology from Korea and the reconstruction of the legation and barracks at Korea's expense.

Thus the affair was settled as far as Korea was concerned. But China had still to be heard from; and for this purpose, Prince Itom, then Marquis, was dispatched to Peking, where he and Li Hung Chang drew up and signed the Treaty of Tientsin, on April 18, 1885. The treaty made no reference to the assault of the Chinese soldiery on the Japanese Legation at Seoul, but acknowledged the equal rights of both nations to send troops to Korea in case it should be necessary in the future. The clauses of the treaty provided (1) that China should withdraw all her troops from Korea, and Japan her legation guards, the withdrawal to take place within four months from the signing of the agreement, under pain of conflict. The Chinese troops were to withdraw by way of Masampo and the Japanese by way of Chemulpo. (2) Both countries agreed further to advise the King of Korea to train a modern army for the protection of the peninsula and the maintenance of order therein, and to have him employ foreign instructors for this purpose, neither country to send officers to fill the positions. (3) In the third place, it was agreed in the treaty that if in the future either Japan or China, or both, should have occasion to dispatch troops to Korea, they should open communication with each other as to the matter, and that when the cause requiring the entry of troops no longer existed, they were to be at once withdrawn from the country.

It was further stipulated that if any of the troops in Seoul should be guilty of improper conduct China should punish them on the production of indisputable evidence.

A general retrospect of the disturbance of 1884 shows that the Progressives were defeated on account of their too impetuous grasp of political power without sufficient forethought, and that the Japanese Minister was also somewhat rash in acceding too hastily to the King's request for protection, since the monarch did not sincerely trust him, but on the contrary sought refuge under the flag of China. Moreover, the minister took no immediate steps for the correction of the Chinese soldiers when they assaulted the legation and slew some of its guards. It was but natural, therefore, that Japan's influence should gradually decline, while China's continued to grow more and more throughout the peninsula. The Conservative party soon became dominant, under the Chinese Minister, Yuan Shi Kai. He brought his influence constantly to bear on Korean diplomatic policy and the Korean Government in turn was ever inclined to heed his counsel. The whole situation became unfavorable for Japan, and the general attitude of the people grew insolent and offensive toward all Japanese residents, especially toward those engaged in commerce and industry.

The most severe blow of the time to the Japanese was the issue of the *Bōkokurei* of 1889. In September the authorities of Kankyodo suddenly prohibited the resale and export of agricultural products without any previous notice to the Japanese consul, in spite of the clause in the treaty requiring such notice a month in advance. Although the same treaty clearly stated the necessity of drought or riotous disorder as the cause of such law, there was nothing of the kind. The loss inflicted upon the Japanese was quite heavy. Japan demanded the repeal of the measure and some indemnity, but her demand was left unheeded until January, 1893. Kin Gyoku Kin, the leader of the pro-Japanese faction, was assassinated about that time, during a quarrel between the sailors of a Chinese warship and some citizens of Nagasaki, and the

Japanese Government had to make humiliating concessions despite the fact that the fault was on the Chinese side. In this manner conditions began to obtain derogatory to Japan's interests.

The Korean Government brutally mutilated in public the body of Kin and exhibited it with immense gusto all over the country as an example of what should be the just fate of all traitors. The victim was called "the most vicious traitor Kin."

Just about this time (April, 1894) the revolutionary movement of Tong Haks began to spread fiercely over the peninsula, more especially in the provinces of Cholla and Chung-Chong. Although the Tong Hak belief was quite a foolish and superstitious one, supporters of the doctrine were found in every province of the country. As the population had long been suffering from the misrule of Min and were anxiously awaiting a change, they at once favored the Tong Hak movement. The first definite outbreak occurred at Ko-Po in the province of Cholla, where maladministration had been particularly oppressive; and three provinces south of the Kanko River unfurled the flag of insurrection. The Tong Hak leader of this rebellious force in the south was Zempojun, who repeatedly expelled the governmental force. Terrified beyond measure by the situation, the Korean Government sought the intervention of China through the mediation of Yuan Shi Kai. As Japan was in the throes of political turmoil in the Imperial Diet at the time, China assumed that it would not be easy for Japan to take much interest in foreign complications. Under pretext of guarding a tributary nation in her habitual manner, China sent troops into Korea, and this action she made known on June 7 to the Tokyo Government through her minister there. Japan at once denounced China's pretensions to suzerainty in Korea, and, in accordance with the treaty of Tientsin, informed China of her intention to dispatch forces to guard her legation and interests in the peninsula. Japan at once sent her troops from the 9th Army Division under Major-General Oshima, which, on account of

their irregular composition, were known as the Mixed Brigade. These troops marched into Seoul and Wönsan on June 13.

Previous to taking this action the Japanese Government, in sympathy with her unfortunate neighbor and in the belief that Korea's disorders would cause loss and have bad effects on both Japan and China, as these three countries border on each other so closely, had sent a friendly note to China, proposing that the two powers should cooperate in bringing about reforms in Korea, so as to avoid further complications between Japan and China and thus maintain peace in the Orient. China rejected the proposal, not deeming necessary the measures suggested, and not wishing to interfere in the internal affairs of Korea jointly with Japan. China insisted on the withdrawal of the troops of the two powers, saying that these were unnecessary, since the Tong Hak movement was already pacified. Thus China continued to assert her suzerainty over Korea in various ways and dreamed of making herself master of the Far East, while Japan continued as positively to refuse to acknowledge this overlordship.

Notwithstanding her earlier consent to a reformation of government under the guidance of Japan, when the latter was determined to bring about such reform even without the help of China, the Korean Government suddenly requested Japan to withdraw her troops, the action having been taken at the suggestion of China, who was always working behind the scenes. On July 20, the Japanese Minister at Seoul dispatched the following proposal to the Korean Government:

1. In accordance with the Seoul Convention of 1885 Korea shall at once reconstruct the barracks for the Japanese guard.
2. The Chinese forces now stationed in Korea under guise of protecting her as a dependency shall be immediately withdrawn, as Korea is an independent country.
3. If the foregoing proposals are not complied with by the 22d instant, Japan will proceed to carry out reform in Korea, even if she has to resort to force to accomplish it.

The Japanese authorities waited until the 23d; and as the reply demanded was not forthcoming, the Japanese

Minister overpowered the Korean guard, forcibly entered the King's palace and had an audience with the monarch. The King carefully explained the obstacles that had thus far impeded reform, expressed gratitude for the interest Japan took in the country, and pledged himself to an alliance with Japan as against China for the reformation of Korea. On the 26th the treaty with China, which acknowledged Korean dependence of that country, was repealed and a decree was issued requesting Japan to expel from the peninsula the Chinese troops stationed at Asan.

While these proceedings were under way in Seoul, China was trying to smuggle her Asan troops aboard a chartered English transport vessel and a Chinese warship, the *Kow-shing* and the *Tsao-Kiang*. The *Tsi-yuen* and the *Kwang-yi* of the Peiyang Squadron were to receive the two vessels and were steaming boldly out of Asan Bay when they met the Japanese warships *Yoshino*, *Naniwa* and *Akitsushima*, which had been keeping vigilant watch near Phung Island. The Japanese Government had not yet declared war, although her men-of-war had been preventing the enemy's transportation of troops, so the Japanese vessels patiently waited without firing. But the Chinese ships made no formal signal to them, and as the two fleets approached closer the *Tsi-yuen* suddenly opened fire on the *Yoshino*. Thus the Sino-Japanese War began at Phung Island on July 25, 1894. With surprising swiftness the Japanese ships closed in upon the *Kwang-yi* and put her out of action, forcing her into shallow water, while the *Tsi-yuen* fled to Weihaiwei with many of her crew killed. The *Kow-shing* was sunk and the *Tsao-Kiang* captured, so that victory was decisively on the Japanese side.

The Japanese troops invaded and conquered Songhwan on the 29th, while the Chinese troops at Asan escaped without exchanging a shot. On August 1 the Imperial Government issued a declaration of war, in which Japan showed clearly that China was deliberately taking aggressive measures without considering the calamities and afflictions that would follow in the Orient. The following is an extract:

Korea is an independent state. The country was first introduced to the comity of nations on the advice of and under the guidance of Japan. It has, however, been the habit of China to regard Korea as a dependency of her own, and both openly and secretly to interfere in her affairs. At the time of the recent civil disturbance in Korea, China dispatched troops thither, alleging the purpose to be that of affording succor to a suzerain state. Japan, by virtue of the treaty concluded with Korea in 1882, and looking to possible emergencies, caused a military force to be sent to that country. Desiring to procure for Korea freedom from the calamity of perpetual disorders, and thereby to maintain the peace of the Far East in general, Japan invited the cooperation of China to that end. But China, advancing various pretexts, declined the proposal. Thereupon Japan advised Korea to reform her administration so that she might be able to preserve order and tranquillity within her borders, and to discharge the duties and responsibilities of an independent state abroad. Korea had already consented to undertake the task. But China secretly and insidiously endeavored to circumvent and thwart Japan's purpose. Furthermore, she procrastinated and tried to make warlike preparations by land and sea. Completing these preparations, she dispatched large reinforcements to Korea with a view to the forcible attainment of her ambitious designs, and even carried her arbitrary attitude and insolence to the extent of opening fire on Our ships in Korean waters. Plainly China's object has been to render it uncertain where the responsibility for the preservation of peace and order in Korea lies, and not only to weaken the position of that state in the family of nations (a position obtained for Korea through the efforts of Japan) but also to obscure the significance of the treaties recognizing and confirming that position. Such conduct on the part of China is not only a direct injury to the rights and interests of the Empire, but a menace to the permanent peace of East Asia. From the action of China it can only be concluded that from the beginning that country has been bent on sacrificing peace to the attainment of her sinister object. Under these circumstances, ardent as is our wish to promote the prestige of the country abroad by strictly peaceful means and methods, we find it impossible to avoid a formal declaration of war against China. It is Our earnest wish that by the loyalty and valour of Our faithful subjects peace may soon be permanently restored and that the glory of the empire may be augmented and ever stainless.

PROGRESS OF THE SINO-JAPANESE WAR

The historical facts with regard to the question of Korean independence and the reformation of the government in that country, so necessary to an understanding of the cause of the war which began on July 25, 1894, have now been given in outline. The struggle continued for eight months, during which time Japan won a number of decisive victories one after another and was soon ready to march upon the capital of China. Whereupon the latter consented to peace by ceding territory and paying an indemnity, while Korea was made

independent of foreign interference, peace being restored on April 17, 1895.

It will now be in order to give a brief review of the progress of the war with China and to indicate the causes of the diplomatic troubles which arose after the war.

From the outbreak of the war to the battles of Ping-yang and the Yellow Sea

The battle of Phung Island on July 25, 1894, was preparatory to the great campaign at Ping-yang and the decisive battle of the Yellow Sea. The three Japanese warships, the *Yoshino*, a cruiser of 4,267 tons, the *Akitsu-shima*, a cruiser of 3,150 tons, the *Naniwa*, a cruiser of 3,709 tons, forming the First Flying Squadron under Rear Admiral Tsuboi, had been guarding the west coast of Korea against Chinese transports carrying troops to Korea. On July 25, when a Japanese flying column consisting of the above ships appeared off Phung Island, southwest of Chemulpo, the Chinese warships *Tsi-yuen*, a cruiser of 2,355 tons and the *Kwang-yi*, a gunboat which came from Chemulpo, came into view. As a state of belligerency had not yet arisen the Japanese commander naturally expected to meet the Chinese ships with the ordinary formality, but to his great surprise the *Tsi-yuen* at once and without warning opened fire on the *Yoshino* at 7.52 A. M., at a range of about 3,000 meters. Consequently the admiral of the Japanese fleet could do nothing but give orders to return the fire. No sooner had the two assailants been put out of action—the *Tsi-yuen* routed and the *Kwang-yi* driven ashore—than two other Chinese ships, the *Tsao-kiang* and the *Kow-shing*, a British boat, appeared, the latter transporting Chinese troops bound for Asan. While the *Akitsu-shima* was capturing the *Tsao-kiang*, the *Naniwa* ordered the *Kow-shing* to stop, at 9.15 A. M., but the land force on the vessel compelled the captain to continue the course back to Tako. The order to stop and follow the Japanese vessel was repeated several times, but, as the *Kow-shing* took no notice of it, the *Naniwa* pursued and sank her at 1 P. M. The captain and others were rescued.

Another battle at Songhwan was fought on July 29. In accordance with the request of the King of Korea on the 25th, the Japanese Minister Otori, at Seoul, at once sent for a force from the brigade headquarters at Manriso to expel the Chinese troops at Asan. The force proceeded to Soshajo, some seventeen miles north of Asan and only about two miles north of Songhwan, where the enemy had established themselves in a powerful stronghold. Songhwan is an important town on the Asan road. The Japanese brigade captured the place in short order while the troops at Asan fled without offering resistance. The Japanese force participating in this action consisted of four infantry battalions, one company each of cavalry, artillery and engineers, 3,000 infantry, 47 cavalymen and 8 guns. The Chinese had 8 guns, 3,400 men and a number of noncombatants. The enemy's killed and wounded numbered 500, the result of 63 shells, 191 rounds of shrapnel and 67,801 rounds of cartridges fired by Japanese, while the latter lost 33 killed and 49 wounded.

It was after these two battles, one on land and the other on sea, that the Imperial Proclamation of War was issued, namely on August 1, and the Imperial Army headquarters were on September 13 moved to Hiroshima. The fact has already been mentioned that prior to the outbreak of war the Imperial Government endeavored to settle the dispute by peaceable means, dispatching a mixed brigade from the Fifth Division to Korea; but, seeing the hopelessness of such an attempt, the government abandoned the idea with the report of the battle of Phung Island on July 25.

According to reports reaching the Imperial Government the number of Chinese troops in Korea, mostly around Ping-yang, was more than 10,000 (including those that had fled from Asan), and the Mixed Brigade at Seoul was rumored to be in danger. For this reason the remainder of the Fifth Army Division, namely, the divisional headquarters and the Tenth Brigade, was ordered to Korea, on July 21, and on August 14 half of the Third Army Division, namely, the Fifth Brigade, was moved. Landing at Fusan and Wönsan they at

once marched on Seoul. Lieutenant-General Michitsura Nodzu, Commander-in-Chief of the Fifth Army Division, left Ujina on August 4, reaching Fusan on the 6th and Seoul on the 18th. The Japanese forces already in Korea—namely, the Third and Fifth Army Divisions—were formed into the First Army under General Yamagata, on September 1, with orders to drive the enemy out of Korea; but until the arrival of General Yamagata the command was taken by Lieutenant-General Nodzu, the Fifth Divisional Commander.

As to the Japanese forces already in the peninsula, the Oshima Mixed Brigade was at Ryuzan and Rintsushin, the Twelfth Regiment of the Tenth Brigade arrived at Wönsan on August 8, and the Fifth Brigade was expected there on the 26th—the former called the Sakryong detachment and the latter the Wönsan detachment. Half of the Tenth Brigade was scheduled to be at Chemulpo on the 23d. Considering the dispositions of the troops at his disposal, Lieutenant-General Nodzu set September 15 as the day for the general attack on Ping-yang. The Oshima Mixed Brigade was ordered to lead the attack, while the Sakryong and the Wönsan detachments were to descend from the north and the Main Division from the southwest, the total attacking force numbering 12,000 men and 44 mountain guns.

The Chinese force numbered 15,000 men with 29 mountain guns, 4 field guns and 6 machine guns, protected by 27 forts, 15 on the south, 5 outside of Taidong gate, 4 on the north hill without the wall and 3 on Mount Peony. The enemy put up an exceedingly stiff defense, aided by the natural fastness of the castled forts.

Against these fortresses and defense works the Japanese troops fought arduously, and finally succeeded in routing the enemy, the Sakryong and Wönsan detachments occupying Mount Peony after making desperate attempts to storm it. The stronghold fell on the 16th, the Japanese having lost 180 killed and 506 wounded, and having fired 680 common shells, 2,128 shrapnel and 284,869 rounds of ammunition. The Chinese losses were 2,000 men, including General Tso-Paok-

wai, while 600 were taken prisoners. Thus in two days Japan completely demolished China's foothold in Korea.

On sea the arms of Japan were also decisively victorious. On September 12 the Japanese squadron got wind of the presence of the Chinese squadron which was guarding transports near the Taidong and the Yalu Rivers, and on the 14th the Main Squadron consisting of the *Matsushima*, the *Chiyoda*, the *Fuso*, the *Itsuku-shima*, the *Hiyei* and the *Hashidate*, with the first Flying Squadron comprising the *Yoshino*, the *Takachiho*, the *Naniwa* and the *Akitsu-shima*, the third Flying Squadron comprising the *Tsukushi*, the *Akagi*, the *Maya* and the *Chokai*, together with a torpedo flotilla including the *Kotaka*, No. 22, No. 12 and the torpedo-depot-ship *Yamashiro*, accompanied by the *Kaimon*, the *Iwaki*, the *Amagi* and the auxiliary cruiser *Saikyo*, all proceeded toward Taidong and arrived at the mouth of river on the 15th. But finding no hostile ship there, the fleet left the *Tsukushi*, the *Maya* and the *Chokai* as well as the torpedo flotilla, the *Iwaki* and the *Amagi* at the river's mouth and set out northward. The contending fleets met on the 17th off Tamushan, when a brisk action of several hours ensued, lasting until dark. The Chinese fleet consisted of the *Ting-yuen* and the *Chen-yuen* in the center, followed by the *King-yuen*, the *Sai-yuen*, the *Ping-yuen*, the *Chih-yuen*, the *Lai-yuen*, the *Yang-wei*, the *Tsi-yuen*, the *Chao-yung*, the *Kwang-chia*, the *Kwang-ping* and three torpedo boats, the total displacement being 34,420 tons with a speed of from 11 to 18 knots. The Chinese had quick-firing guns, 70 below 30 c. m. and 9 below 12 c. m., as well as about 129 machine guns, and 31 torpedo tubes and two torpedo boats. The Japanese squadron, with the exception of the *Saikyo*, consisted of 11 ships representing 36,771 tons, with a speed of from 13 to 22 knots, equipped with 246 guns, 44 below 33 c. m., 190 quick-firers below 15 c. m., 29 machine guns and 37 torpedo tubes. Thus the Japanese fleet was superior in tonnage, speed and number of guns. Fighting with brilliant dash and courage the Japanese succeeded in sending the *Chao-yung*, the *Chih-yuen* and the *King-yuen* to the bottom,

while the *Yang-wei* was set on fire and the *Kwang-chia* blown up, the rest of the enemy's fleet suffering great damage. The Japanese lost not a single ship and had only 279 casualties.

The Chinese Peiyang Squadron was not completely destroyed in this battle, but it was practically disabled and deprived of fighting strength, without further power over Korean or home waters. Japan, on the contrary, obtained complete freedom of the seas, for transporting troops and provisions to China without much fear of molestation. By these two actions on land and sea China entirely lost her hold on Korea, while Japan saw before her a clear path by way of the province of Shingking to the capital of China. The progress of the war having thus early taken such a favorable turn, the spirits of the Japanese were correspondingly animated.

Parallel advance of the first and second armies and the sieges of Haicheng and Port Arthur

The first army in Korea was now instructed by the Imperial headquarters to expel all Chinese forces from Korea, and to obtain full control of Kiuliencheng, Fenghuangcheng, Haicheng and Liaoyang, and to form another army to take possession of Port Arthur and Weihaiwei so as to prepare for a decisive campaign in the territory of Liaotung with the coming of the spring of the next year. In preparation for this invasion of Chinese territory General Yamagata had been appointed commander-in-chief of the First Army Corps, so called to distinguish it from the other at Pyenyang. General Oyama was appointed commander-in-chief of the Second Army Corps on the day the welcome tidings of victory reached Imperial headquarters, and the two army corps were organized as follows:

First Army Corps

Commander-in-chief: General Count Yamagata

Third Provincial Division

Fifth Brigade

Sixth and Eighteenth Regiments

Sixth Brigade

Seventh and Nineteenth Regiments

Fifth Provincial Division

Ninth Brigade

Eleventh and Twenty-First Regiments

Tenth Brigade

Twelfth and Twenty-Second Regiments

Second Army Corps

Commander-in-chief: General Count Oyama

First Provincial Division

First Brigade

First and Fifteenth Regiments

Second Brigade

Second and Third Regiments

Sixth Provincial Division

Twelfth Mixed Brigade

Fourteenth and Twenty-Fourth Infantry Regiments

Second Provincial Division (did not take part in battle of Kinchow)

Third Brigade

Fourth and Sixteenth Regiments

Fourth Brigade

Fifth and Seventeenth Regiments

Special Besieging Corps (temporarily dismounted artillery regiment)

Each provincial division included two infantry brigades, one battalion each of cavalry, engineers, ammunitionists and transport men, one regiment of field artillery, with field telegraph corps, stretcher-bearers, medical corps and communication equipment.

The Tenth Brigade of the First Army attacked and reduced Wiju on the left bank of the Yalu River, completing their task by October 17, while the Hooshan fortress fell on the 25th and on the 26th the Chinese abandoned Antung and Kiuliencheng without combat, thus placing all Chinese defenses along the Korean boundary in the hands of Japan. Although the Chinese had at Kiuliencheng no less than 19,750

troops, with 81 guns, to Japan's 13,000 infantry, 350 cavalry and 78 guns, they were nevertheless so dispirited by the defeat at Hooshan that they fled from the castle without offering resistance. The Japanese casualties at Hooshan were 149; they fired 493 shells and 99,950 rounds of ammunition, and captured 78 guns with 4,400 rifles.

After the fall of Kiuliencheng on October 26 the Japanese forces divided into two, the Fifth Division marching on Fenghuangcheng and the Third Division on Takushan, across the Tatungkow. The enemy set fire to and evacuated Fenghuangcheng on the 29th; the Third Division captured Tatungkow on the 27th and Takushan on November 5, and on the 8th it came into direct communication with the Second Army Corps. Advancing from Takushan, the Third Army Division overwhelmed Yungancheng on November 18, fought an important battle near Taohotsuon December 11 and captured Chaimucheng on the following day. The same force reduced Haicheng on the 13th and thus opened the road between Kaiping and Liaoyang. As the fall of Haicheng was so vital to the Chinese, they made repeated counter attacks for the recovery of the fort, a fierce battle ensuing on December 19 at Konwasai near this castle. The Japanese force engaged numbered 3,960 with 30 guns, while the Chinese numbered 9,200, with 6 field batteries protected by natural strongholds. The battle lasted five hours, reddening the fallen snow. After five bayonet charges the Japanese troops forced the enemy to surrender, but only when on our side 69 had fallen and 339 been wounded. The number of shells fired was 1,383 and rounds of ammunition 65,241. The successive and decisive victories of the First Army Corps gave greater freedom for activity and achievement to the Second Army Corps.

To the Second Army Corps had been entrusted the reduction of Port Arthur, assisted by the First Army and the fleet. Between October 24 and 26 the First Division succeeded in safely landing at Huayuanchow. Though Tatungkow and Takushan had not fallen at that time their fate was too well

assured for much attention to be given them. Consequently, the First Army was allowed to proceed with its mission alone, and the First Army Division faced the stronghold of Port Arthur. On the 6th the force captured Kinchow-ching on the way, driving the enemy into the road to Port Arthur. Most of the batteries near Talien Bay were silenced on the 7th by this First Division while the First and Second Armies came into direct communication on the following day and reached the point of attacking Port Arthur. With the fall of the batteries around Talien Bay, the commander-in-chief of the Second Army moved its disembarking headquarters from Huayuankow to Talien Bay. The Mixed Twelfth Brigade, landing at Huayuankow on November 7, was now brought to the army, in preparation for a general assault upon Port Arthur. On the 13th the number of the hostile garrison was estimated at about 12,000, besides some at Poolanteen, at the rear of the main fort; but it was thought that the First Division and the Mixed Brigade with the Special Besieging Corps would be sufficient for the reduction, without seeking the aid of the Second Division. The date of the attack was fixed for November 21.

Port Arthur was guarded on its eastern shore by Huangchinshan and attendant forts, with Mantonsan, 111 meters high, and several other forts on the western shore, while Sungshushan, 103 meters high, and Erhlungshan, 82 meters, with Chihuanshan, 126 meters, and Itzushan, protected the land approaches. Thus by these forts, a strong wall and 12,000 troops the fortress was well protected. Indeed the place seemed almost impregnable.

The First Division of the attacking force was ordered to assail forts Sungshushan and Itzushan, while the Mixed Twelfth Brigade was given the task of reducing Erhlungshan and Chihuanshan. After some sanguinary onsets Fort Itzushan was captured at 7 A. M. on the 21st, then Sungshushan and again Erhlungshan by 11.30 A. M. The defenses from the rear having been thus reduced the First Division had no difficulty in taking Port Arthur in the afternoon. The shore

fortresses of Huangchinshan and Mantoshan held out a little longer, but by the late afternoon and following morning they too had been silenced, and on the 22d the flag of the Rising Sun floated over the battlements of Port Arthur.

The forces which accomplished this great achievement consisted of 15 infantry battalions representing 59 companies, 3 squadrons of cavalry, 4 companies of sappers, 6 batteries of artillery with 30 guns and 8 batteries of field artillery with 48 guns; it was found that the Chinese participating were 9,500 on the land side with 18 pieces of heavy artillery, 48 lighter guns and 19 machine guns, while on the water front 3,200 men were engaged with the assistance of 58 heavy ordnance, 8 lighter guns and 5 machine guns, most of the force finally escaping to Kinchow. The Japanese forces suffered 288 casualties, firing 247 shells, 1,526 shrapnel and 179,562 rounds of ammunition.

Capture of Weihaiwei, in vicinity of Yingkow and the Pescadores

During the siege of Port Arthur the enemy made repeated attacks upon Kinchow-ching, which was a Japanese supporting point and guarded by only 3 infantry battalions and a section of cavalry. The attacks upon the supply depot on the following day by the enemy that had fled from Port Arthur were also successfully repelled and proved no obstacle to the main siege. On the same day this repulse was made, China intimated through the American Minister her desire for the cessation of war.

A part of the First Division of the Second Army Corps captured Poolanteen and Foochou on December 6, while the First Brigade of the First Division took Kaiping on January 10, previous to which the Third Division of the First Army had taken Haicheng, on December 13. Thus during the first half of January, 1895, the Third Division of the First Army Corps maintained full control of Haiching; and the First Brigade of the Second Army Corps at Kaiping swept the whole southeast area. As the Chinese forces were driven

back toward the line of Yingkow, Niuchwang and Tien-chwangtai with Liaoyang at the right flank, they concentrated their men along this line and on Haicheng and made three furious attempts to regain it on January 17 and 22 and February 16. A point had now been reached where the two forces were face to face for the decisive issue.

The Imperial headquarters had organized a flying column consisting of the Eleventh Brigade, being the Thirteenth and Twenty-third Regiments, taken from the Second and Sixth Provincial Division of the Second Army Corps, which together with an artillery battery was dispatched on and after January 10, for the purpose of landing at Yungching on January 20 and attacking Weihaiwei, where the remnant of the Peiyang Squadron had been taking refuge. Landing at Yungching on the 20th, the forces at once faced about for Motienling and Huanglinchi, the former an elevation eastward of the entrance to the bay of Weihaiwei, facing the islands of Liukung and Jih. The force had four 24 c. m. guns, besides 64 heavy guns under 24 c. m., which it placed on the surrounding heights of Motienling; it received vigorous assistance from the Chinese fleet in the bay. The Japanese attack lasted but four hours, however, when the fortress yielded, the only remaining positions being the forts on the islands and in Weihaiwei itself. Our forces swept all the fortresses around the city of Weihaiwei on February 2, and by the 12th, as the result of the joint action of the army and navy, every Chinese ship in Weihaiwei had surrendered, and the Japanese forces were complete masters of Weihaiwei.

The Chinese forces participating in this part of the campaign numbered 12,000 troops, and 15 warships of the Peiyang Squadron aggregating 30,250 tons. The warships were transferred to Japanese command and the captured crews were delivered under pledge as noncombatants. Having accomplished its task so successfully most of the Japanese force in Shangtung returned to the peninsula of Kinchow by March 1.

During the middle of February the Third Division of the

First Army which had been left on guard at Haicheng, and the Fifth Division of the First Army, which had been left at Kiuliencheng, braved the freezing temperature and marched north, capturing Anshantan on March 2 and Niuchwang on the 4th. The First Division of the Second Army at Kinchow also invaded Yingkow and took it on the 6th, and then these detachments of the two army corps reunited and approached Tienchwangtai.

The Japanese forces taking part in the siege of Tienchwangtai consisted of the First, Third and Fifth Army Divisions, involving 21 infantry battalions, 6 companies of cavalry, 14 batteries of field artillery and 5 companies of engineers with 54 field guns, 30 mountain batteries and 7 mortars. The total force numbered more than 19,000. This was the largest force participating in any single battle of the campaign on the Japanese side. The attack opened on March 9 simultaneously from three directions, the Third Division occupying the center, with the Fifth on the right and the First on the left. The enemy numbered more than 20,000, with 40 guns, and they put up an exceedingly stubborn defense. But it was impossible to resist the terrific onset of the Japanese forces from three sides, and the fort was taken on the very day of the attack. After this defeat the Chinese lost all hope of regaining Port Arthur, a hope which they had ardently cherished since their first attack on Haicheng. The combined operations of the First (Third and Fifth Divisions) and Second (First Division) Army Corps were then completed for the present and they began to plan a campaign in the direction of Chihli.

The Imperial headquarters in the meantime had already planned for the occupation of the Pescadores, even before the capture of Weihaiwei. For this purpose an expedition southward was planned, and as soon as the enemy's fleet was no more and Japan was master of the Gulf of Pechili, a mixed column of 3 battalions and a mountain battery left Sasebo on March 15, convoyed by the Southern Squadron, which had been commissioned for the purpose, consisting of the *Mat-*

sushima, the *Hashidate*, the *Itsukushima*, the *Chiyoda*, the *Yoshino*, the *Naniwa*, the *Takachiho*, the *Akitsuishima* and the *Izuki*. The islands were duly occupied.

Preparations for attack on Peking

It will be seen that Japan became master of the Gulf of Pechili on September 17, 1894, as the result of the Yellow Sea fight, and Port Arthur on November 22, and was in possession of the whole territory east of the Liao River by March 9, 1895. The Peiyang Squadron was vanquished on February 12, 1895, and Weihaiwei taken; and as the Pescadores yielded on March 26, nothing remained to prevent Japan from transporting her forces across the Gulf of Pechili. In the early days of March the Imperial headquarters projected a campaign into the province of Chihli by reorganizing the various army corps already mentioned. The Second Army Corps was to include the Imperial Guards, the Second, the Fourth and Sixth Divisions, and it was to concentrate its main efforts on the taking of Shanhaikwan. The First Army Corps, including the First, Third and the Seventh Extraordinary Divisions, was commanded to march into and occupy the plains of Chihli. Thus the entire force consisted of seven divisions with about one-third of the whole second reserve. Although this force had to meet a Chinese army of more than 200,000 it nevertheless felt superior, as it doubtless was, in comparison of numbers.

H. I. H. General Prince Komatsu, Chief of the General Staff, was appointed commander-in-chief of the reorganized army, and was to have left Ujina, a port near Hiroshima, on April 13, establishing his headquarters at Shanghaiwan when taken, and from there to promote the attack on Peking. All such plans were then suddenly arrested by the arrival of proposals of peace.

Reconciliation

The first suggestion of such a proposal came on November 22, the date of the attack on Port Arthur, but it ended fruit-

lessly. China sent a representative to open negotiations on January 31, 1895, but there being some defect in his commission, leaving him without full powers, no conference could be held and he returned to Peking. On March 14 Li Hung Chang came to Shimonoseki as the fully accredited representative, and negotiations were opened on the 20th; a treaty of peace was signed on the 17th of April, the exchange of ratifications taking place on May 8. By this treaty China agreed to recognize the independence of Korea, to cede Formosa, the Pescadores and the Liaotung peninsula to Japan, to open the ports of Shashih, Chungking, Soochow and Hangchow to Japanese commerce and to pay to Japan an indemnity of 200,000,000 *taels*. Thus Japan's aim in opening the war was attained and peace was restored in the Orient.

After Japan's occupation of the Formosan Island the natives became more restive than before. Consequently the government dispatched the Imperial Guards and the Fourth Division, which carried out expeditions in various parts of the island for the subjugation of the savages and of the rebellious elements. This operation, however, need not be further dwelt upon, since it formed no real part of the Sino-Japanese War.

*Unreasonable interference by Russia, Germany and France:
political turmoil in the Far East*

But scarcely had peace been restored when Japan had to face and submit to partiality and injustice, on April 23, on the part of Russia, Germany and France, in being obliged to abandon the Liaotung peninsula, on the pretext that her occupation of continental territory would be prejudicial to the peace of the Orient. Japan had purchased it with the tears and the blood of her sons, but she was compelled to relinquish it for nothing. So potent a three-fold interference she was not prepared to resist. By this action Japan was humbled to the dust, a fact which it is well to note carefully. The three powers contended that the peninsula under the Japanese flag would prove a constant source of trouble in

East Asia. Japan yielded and abandoned the Liaotung peninsula on May 10 and the three powers had their way. But did matters remain as they had contended they would? They ousted Japan and walked into her possessions themselves. Germany leased by force the Bay of Kiaochow on March 6, 1898, Russia leased Port Arthur and Talien on March 27 of the same year, and on June 1 Britain got Weihaiwei. France could not be left out, and she got a treaty signed to lease Kwangchow Bay on November 16 of the following year. Thus the four powers, under pretext of leasing bases, started the disintegration of China. It was indeed a shrewd and ingenious means of snatching the prize which Japan had purchased with her blood and was soon after forced to forswear. In name it was an act of leasing; in reality it was an act of occupation. We have no desire to misrepresent or to confuse issues, but to state the simple truth as to the action of the powers. It is the practical rather than the theoretical side of the matter that Japan has to consider. She must be governed by facts, not by names. It was indeed something Japan found, and still finds, impossible to understand: that these powers should have compelled her to relinquish her new possession and then have proceeded to occupy it themselves.

CHAPTER II

DISBURSEMENTS OF THE WAR

GENERAL SURVEY OF EXPENSES

The Sino-Japanese War opened on July 25, 1894, when Japanese warships were fired upon in the Hoto offing; and peace was restored by the Treaty of Shimonoseki, signed on April 17 of the next year. The space of war time extended about nine months (including the Formosan expedition). The number of officers and men participating on the Japanese side was more than 240,000, together with some 6,495 civil officials and officers and some 100,000 laborers. The number of warships engaged was 28, representing a displacement of over 57,600 tons, with 24 torpedo boats aggregating 1,475 tons. The theater of operations extended about 268 miles east and west, and some 1,269 miles north and south, covering about 14,280 square miles of battleground in Manchuria, 18,445 square miles in Korea, 892½ square miles in Shantung and 5,652½ square miles in Formosa, or about 39,270 square miles in all. As it was an oversea war, the cost was comparatively large. The total outlay has been put down at 235,866,055 *yen*, the period of disbursement running from 1894 to 1903, as tabulated on the following page.

The actual total outlay for the war came to 233,523,252 *yen*, including the sum of 135,553 *yen* spent after 1903, which will be accounted for later on. The total may be tabulated under (1) War Office, 194,777,467 *yen* and (2) Naval Office, 38,745,785 *yen*.

Moreover, administrative expenses arising out of the war increased the outlay by 2,478,354 *yen*, bringing the total up to 236,001,606 *yen*, which will be analyzed according to disbursements in due course.

GENERAL SURVEY OF EXPENDITURES, 1894-1903^a

| Fiscal years | Foreign office | Home office | Treasury office | War office | Naval office | Judicial office | Communication office | Total |
|--------------|----------------|----------------|-----------------|--------------------|-------------------|-----------------|----------------------|----------------|
| 1894 | Yen 244,479 | Yen 148,059 | Yen 182,144 | Yen 164,520,371 | Yen 35,955,137 | Yen ... | Yen 140,949 | Yen 715,631 |
| 1895 | 63,352 | 94,430 | 1,082,344 | } 20,415,279 | 1,449,760 | } 764 | ... | 201,716,398 |
| 1896 | | | 162,301 | | 5,915,563 | | 608,260 | ..... | ..... | 22,027,340 |
| 1897 | ..... | 139,226 | 174,769 | 3,025,960 | 349,071 | ..... | ..... | 6,837,818 |
| 1898 | ..... | 32,848 | 12,651 | 254,421 | 124,016 | ..... | ..... | 3,420,530 |
| 1899 | ..... | ..... | 35 | 173,742 | 256,812 | ..... | ..... | 378,472 |
| 1900 | ..... | ..... | 2 | 185,909 | 2,702 | ..... | ..... | 430,556 |
| 1901 | ..... | ..... | ..... | 78,754 | 30 | ..... | ..... | 188,611 |
| 1902 | ..... | ..... | ..... | 71,915 | ..... | ..... | ..... | 78,784 |
| 1903 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 71,915 |
| Total | 307,831 | 414,563 | 1,614,246 | 194,641,914 | 38,745,788 | 764 | 140,949 | 235,866,055 |

^a The expenditure of both army and navy was regarded in each case as a special account for the fiscal period from June 1, 1894, to March 31, 1896, and it therefore could not be reckoned in two fiscal years, like other accounts, being termed a "special account for war purposes."

COST OF THE WAR

The total amount of actual expense for the Sino-Japanese War has been set down above at the figure of 233,523,256 *yen*, which, as has already been stated, represents the outlay by army and navy from June 1, 1894, which was before the war broke out, to March 31, 1896, together with certain further disbursements after the war for readjustment of affairs entailed by the war, compilation of war history and sundries. The outlay in detail of the War and Navy Departments may be seen from the following tables:

EXPENDITURES OF WAR OFFICE, 1894-1903^a

| Fiscal years | Extraordinary military affairs | After-war adjustments | Compilation of war history | Grant of lump sum | Total |
|------------------|--------------------------------|-----------------------|----------------------------|-------------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1894 } | 164,520,371 | | | | 164,520,371 |
| 1895 } | | | | | |
| 1896 | 20,415,279 | | | | 20,415,279 |
| 1897 | 5,915,563 | | | | 5,915,563 |
| 1898 | 3,025,960 | | | | 3,025,960 |
| 1899 | 22,136 | 56,548 | 50,540 | 125,197 | 254,421 |
| 1900 | 4,795 | 35,766 | 50,695 | 82,486 | 173,742 |
| 1901 | 67 | 19,560 | 42,593 | 123,689 | 185,909 |
| 1902 | | 9,836 | 31,810 | 37,108 | 78,754 |
| 1903 | | | 43,845 | 28,070 | 71,915 |
| Total . . . | 193,904,171 | 121,710 | 219,483 | 396,550 | 194,641,914 |

^a Between the years 1904 and 1913 additional expenses in relation to the war were incurred as follows:

| | |
|---|------------|
| | <i>Yen</i> |
| Compilation of War History and Statistics | 61,430 |
| Grant of lump sum | 74,124 |
| Total | 135,554 |

When this outlay is added to the total outlined above, the grand total for the War Office will be 194,777,468 *yen*.

EXPENDITURES OF NAVAL OFFICE, 1894-1902

| Fiscal years | Extraordinary war funds | Compilation of war history | Lump sum grant | Total |
|--------------|-------------------------|----------------------------|----------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1894 } | 35,955,137 | .... | .... | 35,955,137 |
| 1895 } | | | | |
| 1896..... | 1,449,760 | .... | .... | 1,449,760 |
| 1897..... | 608,260 | .... | .... | 608,260 |
| 1898..... | 314,744 | .... | 34,327 | 349,071 |
| 1899..... | 122,585 | .... | 1,431 | 124,016 |
| 1900..... | 253,513 | 3,094 | 205 | 256,812 |
| 1901..... | 1,602 | .... | 1,101 | 2,703 |
| 1902..... | .... | .... | 30 | 30 |
| Total | 38,705,601 | 3,094 | 37,094 | 38,745,789 |

Analyzing the accounts of the War Office and the Naval Office, the items include arms, ammunition, supplies for troops and transportation of troops and provisions, as follows:

DETAILS OF EXPENDITURES OF WAR AND NAVAL OFFICES

| Items | War Office | Naval Office | Total |
|--|-------------|--------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Arms and ammunition..... | 32,603,214 | 31,850,170 | 64,453,384 |
| Supplies for troops..... | 91,979,606 | 3,980,079 | 95,959,685 |
| Transportation of troops and provisions..... | 41,371,365 | 1,308,760 | 42,680,125 |
| Accessories to cost of war..... | 27,949,985 | 1,566,588 | 29,516,573 |
| Miscellaneous expenses..... | 873,297 | 40,188 | 913,485 |
| Total | 194,777,467 | 38,745,785 | 233,523,252 |

The above items, omitting those already explained, are further analyzed in the tables on pages 39-42.

EXTRAORDINARY WAR EXPENSES OF THE WAR OFFICE, 1894-1901

| Items | June 1, 1894- March 31, 1896 | Fiscal year 1896 | Fiscal year 1897 | Fiscal year 1898 | Fiscal year 1899 | Fiscal year 1900 | Fiscal year 1901 |
|------------------------------|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Supplies for troops: | | | | | | | |
| Salaries and allowances..... | 15,393,744 | 695,820 | 143,411 | 101,976 | ..... | ..... | ..... |
| Provisions..... | 24,875,825 | 739,809 | 112,938 | 94,251 | ..... | ..... | ..... |
| Clothing..... | 20,836,651 | 2,283,975 | 110,265 | 78,983 | ..... | ..... | ..... |
| Wounded..... | 1,445,021 | 153,849 | 12,187 | 13,714 | ..... | ..... | ..... |
| Traveling expenses..... | 3,174,086 | 389,979 | 79,744 | 41,402 | ..... | ..... | ..... |
| Wages..... | 18,384,435 | 2,150,663 | 388,273 | 274,390 | 6,015 | ..... | ..... |
| Total..... | 84,109,762 | 6,412,295 | 846,818 | 604,716 | 6,015 | ..... | ..... |
| Arms and provisions: | | | | | | | |
| Arms and ammunition..... | 11,213,766 | 1,179,015 | 224,000 | 90,578 | ..... | ..... | ..... |
| Horses..... | 7,788,896 | 75,766 | 12,095 | 13,328 | ..... | ..... | ..... |
| Camp utensils..... | 866,166 | 4,216 | ..... | 727 | ..... | ..... | ..... |
| Construction..... | 5,632,382 | 934,342 | 361,644 | 451,860 | ..... | ..... | ..... |
| Purchase of steamships..... | 3,697,866 | ..... | ..... | ..... | ..... | ..... | ..... |
| Total..... | 29,199,076 | 2,245,690 | 601,955 | 556,493 | ..... | ..... | ..... |

EXTRAORDINARY WAR EXPENSES OF THE WAR OFFICE, 1894-1901—Continued

| Items | June 1, 1894— March 31, 1896 | Fiscal year 1896 | Fiscal year 1897 | Fiscal year 1898 | Fiscal year 1899 | Fiscal year 1900 | Fiscal year 1901 |
|--|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Transportation: | | | | | | | |
| Post and telegraph..... | Yen 553,304 | Yen 61,853 | Yen 16,664 | Yen 10,175 | Yen 54 | Yen | Yen |
| Transportation..... | 33,953,198 | 2,210,080 | 93,427 | 35,771 | ..... | ..... | ..... |
| Construction of submarine cable between Osumi and Formosa..... | 1,247,769 | 1,527,977 | 450,737 | 104 | ..... | ..... | ..... |
| Construction of signals and lighthouses on Formosan route..... | 128,983 | 341,427 | ..... | ..... | ..... | ..... | ..... |
| Construction of military water works at Hiroshima..... | 10,820 | 215,027 | 345,821 | 68,176 | ..... | ..... | ..... |
| Investigation of constructing harbor and railway in For- mosa..... | 7,925 | 82,074 | 8,846 | 1,153 | ..... | ..... | ..... |
| Total..... | 35,901,999 | 4,438,438 | 915,495 | 115,379 | 54 | ..... | ..... |
| Accessory cost of war: | | | | | | | |
| Miscellaneous expenses..... | 3,963,587 | 783,977 | 90,789 | 59,085 | 1,373 | ..... | ..... |
| Miscellaneous business..... | 2,058,508 | 258,281 | 50,406 | 37,693 | ..... | ..... | ..... |
| Secret Service funds..... | 369,283 | 6,965 | 25,200 | 1,127,700 | 8,100 | ..... | ..... |
| Bureau of civil administration. Extraordinary grand festival of military shrine..... | 200,244 | ..... | ..... | ..... | ..... | ..... | ..... |
| Government of Formosa..... | 10,000 | ..... | ..... | ..... | ..... | ..... | ..... |
| Lump sum grant..... | 2,420,045 | 217,790 | 71,367 | 104,405 | ..... | ..... | ..... |
| War medals..... | 6,226,491 | 5,969,791 | 3,310,951 | 416,084 | ..... | ..... | ..... |
| | 61,377 | 82,052 | 2,582 | 4,403 | 6,594 | 4,795 | 67 |
| Total..... | 15,309,535 | 7,318,856 | 3,551,295 | 1,749,370 | 16,067 | 4,795 | 67 |
| Grand total for war office.. | 164,520,372 | 20,415,279 | 5,915,563 | 3,025,958 | 22,136 | 4,795 | 67 |

EXTRAORDINARY WAR EXPENSES OF THE NAVY OFFICE, 1894-1901

| Items | June 1, 1894- March 31, 1896 | Fiscal year 1896 | Fiscal year 1897 | Fiscal year 1898 | Fiscal year 1899 | Fiscal year 1900 | Fiscal year 1901 |
|--|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Supplies for sailors: | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Salaries and allowances..... | 1,694,865 | 5,097 | ..... | ..... | ..... | ..... | ..... |
| Provisions..... | 1,179,301 | 170 | ..... | ..... | ..... | ..... | ..... |
| Clothing..... | 461,237 | 14,775 | ..... | ..... | ..... | ..... | ..... |
| Medical treatment..... | 46,152 | ..... | ..... | ..... | ..... | ..... | ..... |
| Traveling expenses..... | 256,049 | 704 | 289 | ..... | ..... | ..... | ..... |
| Miscellaneous..... | 310,881 | 9,551 | 1,008 | ..... | ..... | ..... | ..... |
| Total..... | 3,948,485 | 30,297 | 1,297 | ..... | ..... | ..... | ..... |
| Arms and ammunition: | | | | | | | |
| Requisites for warship main- tenance..... | 4,176,712 | 145,623 | ..... | ..... | ..... | ..... | ..... |
| Arms, ammunition and tor- pedoes..... | 10,079,750 | 325,267 | 20,559 | ..... | ..... | ..... | ..... |
| Warships..... | 12,825,830 | 738,060 | 419,369 | 308,616 | 117,535 | 251,400 | ..... |
| Repairs..... | 806,134 | 89,541 | 51,030 | ..... | ..... | ..... | ..... |
| Special supply of war material | 233,995 | ..... | ..... | ..... | ..... | ..... | ..... |
| Construction of temporary arsenal..... | 1,260,749 | ..... | ..... | ..... | ..... | ..... | ..... |
| Total..... | 29,383,170 | 1,298,491 | 490,958 | 308,616 | 117,535 | 251,400 | ..... |

EXTRAORDINARY WAR EXPENSES OF THE NAVY OFFICE, 1894-1901 — *Continued*

| Items | June 1, 1894- March 31, 1896 | Fiscal year 1896 | Fiscal year 1897 | Fiscal year 1898 | Fiscal year 1899 | Fiscal year 1900 | Fiscal year 1901 |
|---------------------------------------|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Transportation: | | | | | | | |
| Transportation | Yen 1,282,913 | Yen 13,653 | Yen 185 | Yen | Yen | Yen | Yen |
| Survey of lighthouse sites | 12,009 | ..... | ..... | ..... | ..... | ..... | ..... |
| Total | 1,294,922 | 13,653 | 185 | ..... | ..... | ..... | ..... |
| Accessory cost of war: | | | | | | | |
| Convicts | 138 | ..... | ..... | ..... | ..... | ..... | ..... |
| Office expenses | 228,243 | 8,536 | 1,813 | ..... | ..... | ..... | ..... |
| Miscellaneous business | 21,275 | 13 | ..... | ..... | ..... | ..... | ..... |
| Secret service funds | 106,880 | ..... | ..... | ..... | ..... | ..... | ..... |
| Lump sum grant | 955,704 | 94,452 | 108,216 | ..... | ..... | ..... | ..... |
| War medals | 16,104 | ..... | ..... | ..... | ..... | ..... | ..... |
| Compilation of war history | 213 | 4,318 | 5,789 | 6,128 | 5,051 | 2,113 | 1,602 |
| Total | 1,328,557 | 107,319 | 115,818 | 6,128 | 5,051 | 2,113 | 1,602 |
| Grand total for Navy Office | 35,955,134 | 1,449,760 | 608,258 | 314,744 | 122,586 | 253,513 | 1,602 |

SUMMARY

| Items | June 1, 1894- March 31, 1896 | Fiscal year 1896 | Fiscal year 1897 | Fiscal year 1898 | Fiscal year 1899 | Fiscal year 1900 | Fiscal year 1901 |
|------------------------------------|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total War Office | Yen 164,520,372 | Yen 20,415,279 | Yen 5,915,563 | Yen 3,025,958 | Yen 22,136 | Yen 4,795 | Yen 67 |
| Total Navy Office | 35,955,134 | 1,449,760 | 608,258 | 314,744 | 122,586 | 253,513 | 1,602 |
| Grand total ^a | 200,475,506 | 21,865,039 | 6,523,821 | 3,340,702 | 144,722 | 258,308 | 1,669 |

^a Revised grand totals for years June 1, 1894-March 31, 1903, are: War Office, 193,904,171 yen; Navy Office, 38,705,597 yen; total, 232,609,768 yen.

INCREASE OF ADMINISTRATIVE EXPENSES DUE TO THE WAR

As already mentioned, the total increase of administrative expenses directly caused by the Sino-Japanese War was 2,478,354 *yen*, disbursed as follows:

| | <i>Yen</i> |
|----------------------------|------------|
| Foreign Office..... | 307,831 |
| Home Office..... | 414,564 |
| Treasury Office..... | 1,614,246 |
| Judicial Office..... | 764 |
| Communications Office..... | 140,949 |
| | <hr/> |
| Total..... | 2,478,354 |

The above expenses were only a little over 10.5 per cent of the total cost of the war; and the items of expense in detail for the above offices are tabulated on pages 44-46.

An extraordinary session of the Imperial Diet was convened in October, 1894, at Hiroshima near the Imperial headquarters, and extra rewards were given to contributors to the war fund in money or materials and to those who relieved distressed families of soldiers at the front.

EXPENSES OF FOREIGN OFFICE

| Items | 1894 | 1895 | Total |
|---|------------|------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Traveling expenses | 18,981 | 6,927 | 25,908 |
| Miscellaneous | 8,432 | 6,013 | 14,445 |
| Dispatch of police to Korea . . . | 7,174 | 12,941 | 20,115 |
| Allowance to diplomats and consuls in Korea | 3,240 | 2,016 | 5,256 |
| Reconstruction of legation in Korea | 11,125 | 23,472 | 34,597 |
| Repairing annex to legation in Korea . . . . . | .... | 1,550 | 1,550 |
| Reception of Chinese peace envoy | 1,461 | 3,455 | 4,916 |
| Miscellaneous | 194,065 | 6,979 | 201,044 |
| Total | 244,478 | 63,353 | 307,831 |

EXPENSES OF LEGATIONS AND CONSULATES

| Names of legations and consulates | Fiscal year 1894 | Fiscal year 1895 | Total |
|---|------------------|------------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Foreign office and legations abroad | 218,645 | 21,918 | 240,563 |
| Legation in China | 1,016 | .... | 1,016 |
| Legation in Korea | 13,140 | 27,040 | 40,180 |
| Consulate at Hongkong | 35 | .... | 35 |
| Consulate at Tientsin | 1,297 | .... | 1,297 |
| Consulate at Chefoo | 160 | .... | 160 |
| Consulate at Shanghai | 2,075 | 641 | 2,716 |
| Consulate at Fusan | 2,028 | 1,506 | 3,534 |
| Consulate at Chemulpo | 3,551 | 5,588 | 9,139 |
| Consulate at Seoul | 2,131 | 6,124 | 8,255 |
| Consulate at Gensan | 402 | 535 | 937 |
| Total | 244,480 | 63,352 | 307,832 |

EXPENSES OF HOME OFFICE

| Year | Special Session Imperial Diet | Korean affairs | | | | Extra rewards | Total |
|-----------------|-------------------------------|----------------|----------------------------|-------------|----------|---------------|---------|
| | | Home Office | Metropolitan Police Office | Prefectures | Hokkaido | | |
| 1894 | 994 | 4,475 | 122,051 | 16,434 | 4,105 | .... | 148,059 |
| 1895 | ... | 16,954 | 50,176 | 27,300 | .... | .... | 94,430 |
| 1897 . . . . . | ... | .... | .... | .... | .... | 139,226 | 139,226 |
| 1898 . . . . . | ... | .... | .... | .... | .... | 32,848 | 32,848 |
| Total | 994 | 21,429 | 172,227 | 43,734 | 4,105 | 172,074 | 414,563 |

TREASURY OFFICE ^a

| Items | Fiscal year 1894 | Fiscal year 1895 | Fiscal year 1896 | Fiscal year 1897 | Total |
|---|------------------------|------------------------|------------------------|------------------------|----------------------|
| Extraordinary war expenditures (auditing of accounts) | <i>Yen</i> | <i>Yen</i> 11,969 | <i>Yen</i> 11,687 | <i>Yen</i> 12,241 | <i>Yen</i> 38,897 |
| Korean affairs: | | | | | |
| (A) <i>Cabinet</i> | | | | | |
| Dispatches to Imperial headquarters | 14,022 | 4,792 | .... | .... | 18,814 |
| Dispatches to China . . . . . | .... | 1,683 | .... | .... | 1,683 |
| Dispatches to Korea | 931 | 1,690 | .... | .... | 2,621 |
| (B) <i>Treasury Office</i> | | | | | |
| Dispatches to Imperial headquarters | 4,579 | 1,150 | .... | .... | 5,729 |
| Dispatches to Korea | 4,099 | 12,812 | .... | .... | 16,911 |
| Dispatches to China and Korea | 5,351 | 5,058 | .... | .... | 10,409 |
| (C) <i>Dispatch of Privy Council to Imperial headquarters</i> | 414 | 2,258 | .... | .... | 2,672 |
| (D) <i>Dispatch to the front of auditors of public accounts</i> | 2,422 | 1,241 | .... | .... | 3,663 |
| (E) <i>Prize Court</i> | 852 | 1,378 | .... | .... | 2,230 |
| (F) <i>Higher prize court</i> | 350 | 242 | .... | .... | 592 |
| (G) <i>Manufacturing of military and commandeering tickets</i> | 29,350 | 6,175 | .... | .... | 35,525 |
| Total | 62,370 | 38,479 | .... | .... | 100,849 |
| War pensions . . . . . | .... | 349,779 | .... | .... | 349,779 |
| Extraordinary session of the Imperial Diet: | | | | | |
| Upper House | 22,412 | .... | .... | .... | 22,412 |
| Lower House | 25,794 | .... | .... | .... | 25,794 |
| Total | 48,206 | .... | .... | .... | 48,206 |
| Furnishing of temporary Diet building: | | | | | |
| Upper House | 12,729 | .... | .... | .... | 12,729 |
| Lower House | 12,386 | .... | .... | .... | 12,386 |
| Total | 25,115 | .... | .... | .... | 25,115 |
| Rewards: | | | | | |
| (A) Manufacturing of extra decorations and decoration certificate | 28,348 | 286,399 | 65,876 | .... | 380,623 |
| (B) Manufacturing of extra prize cups . . . . . | .... | .... | 36,073 | 157,134 | 193,207 |
| Total | 28,348 | 286,399 | 101,949 | 157,134 | 573,830 |
| Managing allowance extra war funds . . . . . | .... | 76,121 | .... | 2,504 | 78,625 |
| Manufacturing of public loan bonds | 18,104 | 319,597 | 45,665 | 2,890 | 386,256 |
| Grand total | 182,143 | 1,082,345 | 162,301 | 174,769 | 1,601,558 |
| Expenses of manufacturing public loan bonds . . . . . | .... | .... | .... | .... | ^b 12,688 |

^a The expenditure of the Treasury Office in relation to the war was 1,614,246 *yen*, which sum included all expenses concerning the business of the Treasury Office and also some other expenses which were legally but nominally attached to the Treasury Office.

Expenditure after the fiscal year of 1898 was for rewards and the making of prize cups, amounting to 12,335.94 *yen*, and for printing public loan bonds in the same year: 314.80 *yen*, the following year: 35.50 *yen*, and in 1900: 2.25 *yen*.

^b For the two fiscal years 1899 and 1900.

JUDICIAL OFFICE

| | |
|----------------------------|-------------------|
| Fiscal year 1895 | <i>Yen</i> 763 |
|----------------------------|-------------------|

COMMUNICATIONS OFFICE *

| | <i>Yen</i> |
|--|------------|
| Communications office..... | 90,523 |
| Administrative office of light houses..... | 41,415 |
| Tokyo post and telegraph office..... | 2,094 |
| Osaka " " " "..... | 2,985 |
| Nagasaki " " " "..... | 4 |
| Hiroshima " " " "..... | 2,337 |
| Nagoya " " " "..... | 837 |
| Kumamoto " " " "..... | 754 |
| Total..... | 140,949 |

* The outlay by the Communications Office during 1894 amounted to 140,949 *yen*, which represented the increased expenses caused by the war, fractions of *yen* being omitted.

CHAPTER III

SUPPLY OF WAR FUNDS

The expenses of the Sino-Japanese War, as already outlined, were about 235,000,000 *yen* in all; and of this sum the administrative outlay was mostly defrayed from reserve funds and surplus in the Treasury; but the amount expended on the war being very large, the sources thereof are hereafter described in detail.

The budget of revenue and expenditure relating to the expenses of the Sino-Japanese War, legally known as "extra war funds," was 250,000,000 *yen*; and the resources were mostly public loans and surplus funds in the Treasury, as well as a special account fund, but not from taxes. This was the beginning of war loans in Japan.

Before entering upon a description of the main source of supply for war funds, it may be well to describe the budget and total accounts relating to the "special account for war purposes."

REVENUE

| | Budget | Fixed amount as receipt | Amount received |
|---------------------------------------|------------|----------------------------|--------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| First section, war funds | 25,000,000 | 225,230,128 | 225,230,128 |
| First subsection, war funds | 25,000,000 | 225,230,128 | 225,230,128 |

EXPENDITURES

| | Budget | Mixed sum by Imperial sanction | Payment ordered |
|---------------------------------------|------------|--------------------------------------|--------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| First section, war funds | 25,000,000 | 210,973,697 | 200,475,508 |
| First subsection, war funds | 25,000,000 | 210,973,697 | 200,475,508 |

Of the expenditures above mentioned, the amount transferred to General Budget Account was 9,037,494 *yen*, the

unused portion of budget was 40,486,998 *yen*, and the unused portion of sum allowed by Imperial sanction was 1,460,698 *yen*.

The total fixed sum of the above revenue stood as follows (details of expenditures to be given later):

| | <i>Yen</i> |
|---------------------------|-------------|
| Treasury Office | 219,361,977 |
| War Office | 5,093,917 |
| Naval Office | 774,234 |
| | <hr/> |
| | 225,230,128 |

The detailed items are as follows:

| | <i>Yen</i> |
|--|-------------|
| First section, war funds | 225,230,128 |
| First subsection, war funds: | <i>Yen</i> |
| Raising of public loan (Treasury Office) | 116,804,927 |
| Transfer of the surplus fund of Treasury (Treasury Office) | 23,439,087 |
| Contributed war funds (Treasury Office) | 160,800 |
| Contributed relief fund to War Office | 2,210,650 |
| Contributed relief fund to Naval Office | 578,090 |
| Miscellaneous receipts: | <i>Yen</i> |
| War Office | 1,323,162 |
| Naval Office | 196,143 |
| | <hr/> |
| Receipts from occupied territory (War Office) | 1,519,305 |
| Receipts from Formosa and Pescadores Islands | 624,425 |
| Transfers to Special Account (Treasury Office) | 78,957,165 |
| | <hr/> |
| | 225,230,128 |

As stated above, the extra war funds amounted to such an immense sum, that it was necessary to make arrangement for a special account, separated from general revenue and expenditure. In October, 1894, by Law No. 24 the "Special Account for War Purposes Act" was promulgated, as follows:

Article I. Finances for the extra war funds in regard to the affair with China and Korea shall be classified and adjusted separately from general revenue and expenditure.

Article II. All revenue and expenditure for extra war funds from June 1, 1894, until the termination of the war shall be regarded as included in one financial year.

The above articles were based on Article XXX of the law of accounts, according to Law No. 4 of 1889, which says that "in case it is difficult to follow the provisions of the present law on account of special requirements, a special mode of procedure may be allowed, but such special mode of treatment

must be effected by law." Therefore the expenditure allowed by this special law of finance was limited to war funds required by the War Office and the Naval Office. This special account was wound up at the end of March, 1896, in accordance with the first article of Law No. 10 of the same year relating to the special account for war purposes. Since then all expenditure incurred by the War Office and the Naval Office for extra war outlay was included in the general budget accounts.

Vote for war expenses

Extra expenses for the carrying on of Korean affairs were to be defrayed from the second reserve fund in the fiscal year 1894 (the amount being 950,000 *yen*, that is to say, \$473,100). This second reserve depends upon the 69th article of the Constitution of Japan which reads as follows: "In order to supply deficiencies, which are unavoidable, in the budget, and to meet requirements unprovided for in the same, a reserve fund shall be provided in the budget." Article 7 of "the law of Finance" explicitly states that "the second reserve shall be used to meet necessary expenses unprovided for in the budget." At the same time, articles 16 and 17 of the Rule of Finance regulates its transaction and process. However, the cost proved so enormous that the second reserve was insufficient. Thereupon in June it was decided by Imperial sanction to utilize for war expenses a surplus of 26,000,000 *yen* in the Treasury, 3,000,000 *yen* of which, as may be seen from details already given, was a loan to the Korean Government. As the Chinese forces in Korea could not be put down by the troops of the Fifth Division, after the battles fought on July 25 and 29, at Phung Island and Songhwan respectively, mobilization took place, and the Imperial Declaration of War was issued on August 1, after which the Third Division was dispatched to the front and the First Army Corps organized, thus extending the sphere of operations and increasing the outlay beyond the resources of the surplus in the Treasury.

On August 15, 1894, Urgent Imperial Ordinance No. 143 was issued, in conformity with Article LXX of the Imperial Constitution, for the purpose of raising war funds, which provided for the transfer of funds included under special accounts, borrowing from banks or the raising of a public loan as an urgent measure. On the same day, by Imperial Ordinance No. 144, war loan regulations were issued, and it was decided to incur a debt of 50,000,000 *yen* with interest at 6 per cent or under per annum, the first portion raised being the sum of 30,000,000 *yen*.

On September 15, the Imperial headquarters were removed to Hiroshima; and on the 22d an extra session of the Imperial Diet was convened at the same place, which asked for a war budget of 150,000,000 *yen*, a bill being passed authorizing the flotation of a public loan of 100,000,000 *yen* at less than 6 per cent per annum. The mode of flotation, terms of issue and period of redemption and others were entrusted to the Minister of Finance.

Out of the total sum of 150,000,000 *yen* asked for, 59,996,885 *yen* had already been spent in urgent necessity, by Imperial sanction, beginning with June, 1894; and consequently, approval of this action was asked for at the special session of the Diet, in accordance with Article LXIV of the Imperial Constitution. It was a time when the nation's patriotism and public indignation had reached a state of high tension and no hesitation was had in giving approval to the necessary outlay for the war, the sums spent by Imperial sanction and the war loan being voted for with enthusiasm; and the war budget was promulgated on October 23, 1894. Moreover, at the eighth session of the Imperial Diet in February, 1895, the Lower House passed the following resolution with regard to war expenses:

With respect to the issue of an Imperial Rescript for the subjugation of China we deem it proper to say that we think the attainment of the object of the war and the avengement of the nation's honor still a great way off; and therefore it is hereby resolved that further disbursement of war expenses shall be approved to any limit required.

During 1894 and 1895 the war was at its height and peace nowhere in sight, so that 96,290,000 *yen* out of the 150,000,000 *yen* approved by the Diet was spent by Imperial sanction in the eight months from June to January, 1896; and with an outlay of about 11,000,000 *yen* a month for army and navy, the balance of the sum voted by the Diet could scarcely suffice to June, 1895. The government estimated that the sum of at least 100,000,000 *yen* would be required from July to December, 1895, and framed a supplementary budget accordingly. The measure was submitted to the Lower House on February 20 and authority for the raising of further war loans was given by both houses within a week, the supplementary war budget being issued on March 2, 1895.

Disbursements

The main resource for war funds was public loans and special contributions to war funds, special contributions for relief of army and navy men, transfers from surplus in the Treasury and from special account funds. The surplus from receipts and disbursements of the Treasury was deposited in the Bank of Japan either as a fixed or current account at reasonable interest, in accordance with Law No. 16, in June, 1894, at the beginning of the war; and disbursements from this account naturally caused an increase in the bank note issue, which was further accentuated by a government loan from the Bank of Japan and the transfer of the special account fund to the war fund. Thus the expenses of the war were covered by floating of loans and by increasing the issue of bank notes.

Monthly receipts for the Special Account for War Purposes were as follows: ¹

¹ Table does not in some parts correspond to the monthly receipt of war funds which will be described later, because it represents the sum received by the revenue officers, while the other was the sum paid into the cash office.

Before the setting aside of a special account for war purposes, the allotted amount for war funds from the general account was paid out in the first month from the surplus in the Treasury—26,000,000 *yen*—and the public loan and contributed relief funds are described in the following table according to the months they were actually received by the revenue officer.

MONTHLY REVENUE FOR WAR PURPOSES

| Date | Surplus fund of Treasury | Public loans | Contribution to war funds | Contributed relief fund to army and navy | Miscellaneous revenue | Revenue from occupied territory | Revenue from Formosa and Pescadores Islands | Transfer of special account fund | Total |
|---------------------|--------------------------|--------------|---------------------------|--|-----------------------|---------------------------------|---|----------------------------------|------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1894 | | | | | | | | | |
| June | 26,000,000 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 26,000,000 |
| July . . . . . | ..... | ..... | ..... | 5,836 | ..... | ..... | ..... | ..... | 5,836 |
| August . . . . . | ..... | ..... | ..... | 175,238 | ..... | ..... | ..... | ..... | 175,238 |
| September . . . . . | ..... | ..... | ..... | 347,444 | ..... | ..... | ..... | ..... | 347,444 |
| October . . . . . | ..... | 2,500,000 | ..... | 420,371 | ..... | ..... | ..... | ..... | 920,371 |
| November | 439,086 | 500,000 | ..... | 254,546 | ..... | ..... | ..... | ..... | 6,036,439 |
| December . . . . . | ..... | 5,241,000 | 100,000 | 276,854 | 1,807 | ..... | ..... | ..... | 7,589,520 |
| | | 7,241,300 | 60,800 | | 10,566 | | | | |
| 1895 | | | | | | | | | |
| January . . . . . | ..... | 2,795,000 | ..... | 280,688 | 83,203 | ..... | ..... | ..... | 3,158,891 |
| February . . . . . | ..... | 6,480,100 | ..... | 321,011 | 5,045 | ..... | ..... | ..... | 6,866,156 |
| March | 3,000,000 ^a | 9,645,900 | ..... | 324,163 | 11,361 | ..... | ..... | ..... | 6,981,424 |
| April . . . . . | ..... | 10,023,400 | ..... | 166,792 | 11,216 | ..... | ..... | ..... | 10,201,408 |
| May . . . . . | ..... | 13,297,200 | ..... | 106,095 | 19,670 | ..... | ..... | ..... | 13,422,965 |
| June . . . . . | ..... | 10,721,700 | ..... | 26,046 | 32,742 | ..... | ..... | ..... | 10,780,488 |
| July . . . . . | ..... | 9,120,200 | ..... | 22,136 | 146,969 | ..... | ..... | ..... | 9,289,305 |
| August . . . . . | ..... | 88,490 | ..... | 14,261 | 50,293 | ..... | ..... | ..... | 153,044 |
| September . . . . . | ..... | 26,310 | ..... | 24,676 | 99,514 | ..... | ..... | ..... | 150,500 |
| October . . . . . | ..... | 322,860 | ..... | 9,604 | 15,502 | ..... | ..... | ..... | 347,966 |
| November . . . . . | ..... | 1,051,170 | ..... | 4,781 | 183,959 | ..... | ..... | ..... | 1,239,910 |
| December . . . . . | ..... | 2,749,989 | ..... | 3,478 | 272,832 | ..... | ..... | ..... | 3,026,299 |

^a Retransferred to General Account in order to lend sum to the Korean Government.

| | | | | | | | | | | |
|-----------|-------|------------|-------------|---------|-----------|-----------|---------|---------|------------|-------------|
| 1896 | | | | | | | | | | |
| January | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 127,294 | |
| February | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 64,308 | |
| March | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 26,548,348 | |
| April | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 9,915,772 | |
| May | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 52,020,000 | |
| June | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 53,726,377 | |
| July | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 4,280,956 | |
| August | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 7,665,676 | |
| September | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 8,783,135 | |
| October | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 6,779,075 | |
| November | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 2,961,951 | |
| December | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 982,480 | |
|  | ..... |  | ..... | ..... | ..... | ..... | ..... | ..... | 407,487 | |
| | | | | | | | | | | |
| Total | | 23,439,086 | 116,804,927 | 160,800 | 2,788,740 | 1,519,305 | 624,425 | 935,680 | 78,957,165 | 225,230,128 |

The methods of raising war funds may be classified as follows:

PRIVATE SUBSCRIPTIONS TO PUBLIC LOANS AND WAR FUNDS

| Date | Public loan | Contributed to war funds | Contributed to relief fund of army and navy | Total |
|----------------|-------------|--------------------------|---|-------------|
| 1894 | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| July..... | .... | .... | 5,836 | 5,836 |
| August..... | .... | .... | 175,238 | 175,238 |
| September..... | 2,500,000 | .... | 347,444 | 2,847,444 |
| October..... | 500,000 | .... | 420,371 | 920,371 |
| November..... | 5,241,000 | 100,000 | 254,546 | 5,595,546 |
| December..... | 7,241,300 | 60,800 | 276,854 | 7,578,954 |
| 1895 | | | | |
| January..... | 2,795,000 | .... | 280,688 | 3,075,688 |
| February..... | 6,480,100 | .... | 321,011 | 6,801,111 |
| March..... | 9,645,900 | .... | 324,163 | 9,970,063 |
| April..... | 10,032,400 | .... | 166,792 | 10,199,192 |
| May..... | 13,297,200 | .... | 106,095 | 13,403,295 |
| June..... | 10,721,700 | .... | 26,046 | 10,747,746 |
| July..... | 9,120,000 | .... | 22,136 | 9,142,136 |
| August..... | 88,490 | .... | 14,262 | 102,752 |
| September..... | 26,310 | .... | 24,676 | 50,986 |
| October..... | 322,860 | .... | 9,604 | 332,464 |
| November..... | 1,051,170 | .... | 4,782 | 1,055,952 |
| December..... | 2,749,989 | .... | 3,478 | 2,753,467 |
| 1896 | | | | |
| January..... | .... | .... | 964 | 964 |
| February..... | .... | .... | 1,066 | 1,066 |
| March..... | 25,861,135 | .... | 1,011 | 25,862,146 |
| April..... | 843,865 | .... | 205 | 844,070 |
| May..... | 1,652,000 | .... | 307 | 1,652,307 |
| June..... | 1,438,000 | .... | 29 | 1,438,029 |
| July..... | 1,015,000 | .... | 53 | 1,015,053 |
| August..... | 2,163,000 | .... | 964 | 2,163,964 |
| September..... | 679,500 | .... | 121 | 679,621 |
| October..... | 942,000 | .... | .... | 942,000 |
| November..... | 405,808 | .... | .... | 405,808 |
| December..... | 116,804,926 | 160,800 | 2,788,741 | 119,754,467 |
| Total..... | 233,618,653 | 321,600 | 5,577,483 | 239,517,736 |

WAR EXPENSES MET BY INCREASING THE ISSUE OF BANK NOTES OF BANK OF JAPAN *

| Date | Surplus of Treasury | Miscellaneous receipts | Borrowed from Bank of Japan | Transfers from Treasury | Transfers from special account fund | War scrip issued |
|----------------|---------------------|------------------------|-----------------------------|-------------------------|-------------------------------------|------------------|
| 1894 | Yen | Yen | Yen | Yen | Yen | Yen |
| June..... | 26,000,000 | ..... | ..... | ..... | ..... | ..... |
| July..... | | | | | | |
| September..... | | | | | | |
| October..... | | | 6,000,000 | 2,553,377 | ..... | ..... |
| November..... | 439,086 | 1,806 | 12,500,000 | 8,814,025 | ..... | ..... |
| December..... | | 10,566 | 19,530,000 | 7,970,645 | ..... | ..... |
| 1895 | | | | | | |
| January..... | | 83,202 | 18,420,000 | 16,724,798 | ..... | ..... |
| February..... | | 5,045 | 22,530,000 | 16,048,649 | ..... | ..... |
| March..... | 3,000,000 | 11,361 | 20,500,000 | 22,368,991 | ..... | 3,780,000 |
| April..... | | 11,216 | 17,500,000 | 25,077,224 | ..... | 3,780,000 |
| May..... | | 19,670 | 14,000,000 | 24,195,419 | ..... | 3,780,000 |
| June..... | | 32,743 | 12,500,000 | 22,661,037 | ..... | 3,780,000 |
| July..... | | 146,969 | 12,500,000 | 20,727,592 | ..... | 3,304,269 |
| August..... | | 50,293 | 12,500,000 | 26,748,677 | ..... | 2,752,821 |
| September..... | | 99,514 | 18,390,000 | 29,080,730 | ..... | 1,886,816 |
| October..... | | 15,502 | 25,000,000 | 32,412,194 | ..... | 1,293,606 |
| November..... | | 183,959 | 33,100,000 | 31,534,497 | ..... | 861,769 |
| December..... | | 272,832 | 41,500,000 | 28,710,373 | ..... | 820,168 |
| 1896 | | | | | | |
| January..... | | 126,330 | 42,500,000 | 34,930,525 | ..... | 404,713 |
| February..... | | 63,242 | 41,270,000 | 41,773,061 | ..... | 104 |
| March..... | | 53,077 | 37,900,000 | 26,710,462 | ..... | 104 |
| April..... | | 51,703 | 41,240,000 | 16,107,780 | 9,020,000 | 104 |
| May..... | | 54,070 | ..... | 3,102,036 | 52,020,000 | 104 |
| June..... | | 81,711 | ..... | ..... | 4,280,956 | ..... |
| July..... | | 102,406 | ..... | ..... | 7,665,676 | ..... |
| August..... | | 1,163 | ..... | ..... | 4,613,948 | ..... |
| September..... | | 20,237 | ..... | ..... | 1,356,585 | ..... |
| October..... | | 19,008 | ..... | ..... | ..... | ..... |
| November..... | | 1,679 | ..... | ..... | ..... | ..... |
| Total..... | 23,439,086 | 1,519,304 | 449,380,000 | 438,252,092 | 78,957,165 | 26,444,578 |

* The sum borrowed from the Bank of Japan, the transfers from the Treasury and the issuing of war scrip were temporary measures to meet deficits, and after April 1, 1896, these were redeemed by public loan and by transfer of special account fund, which accounts for some items being duplicated.

The revenue from occupied territory amounted to 624,425 yen, or about \$310,964, which, on account of having been levied after March, 1896, is not scheduled above.

The monthly receipt of war funds stood as shown in the table at the top of next page, but in case the amount of revenue should not correspond to the above tables reference had better be made to the former.

As previously described, the amount of revenue for war funds does not always correspond to payment for war expenses; and such being the case, whenever a deficit would have occurred, money was borrowed from the Bank of Japan, or

MONTHLY REVENUE AND EXPENDITURES, 1894-1896

| Date | Revenue | Expenditures | | |
|--------------------------|-------------|----------------------|--------------|--------------------|
| | | War Office | Naval Office | Total |
| 1894 | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| June 6-July 30 | 26,000,000 | 4,789,377 | 474,606 | 5,272,982 |
| August | 5,945,497 | 1,705,441 | 1,795,013 | 7,650,937 |
| September | 3,395,565 | 7,970,252 | 1,795,013 | 9,765,265 |
| October | 6,579,153 | 11,988,463 | 3,271,294 | 15,259,757 |
| November | 7,588,052 | 12,931,275 | 6,408,527 | 19,339,801 |
| December | | 10,999,451 | 2,775,220 | 13,774,671 |
| 1895 | | | | |
| January | 3,161,151 | 9,262,790 | 1,542,514 | 10,805,304 |
| February | 6,805,365 | 8,550,979 | 1,688,237 | 10,239,216 |
| March | 6,992,033 | 13,696,459 | 1,365,916 | 15,062,375 |
| April | 10,201,408 | 7,974,876 | 1,934,765 | 9,909,641 |
| May | 13,422,961 | 7,953,360 | 1,087,796 | 9,041,156 |
| June | 10,780,339 | 6,215,641 | 1,530,316 | 7,745,957 |
| July | 9,289,459 | 5,651,285 | 1,228,999 | 6,880,283 |
| August | 152,984 | 4,357,157 | 1,265,465 | 5,622,622 |
| September | 151,841 | 6,683,723 | 824,167 | 7,507,890 |
| October | 346,675 | 8,406,199 | 1,288,730 | 9,694,929 |
| November | 1,239,680 | 6,940,476 | 1,089,670 | 8,030,146 |
| December | 3,026,534 | 6,980,463 | 1,580,345 | 8,560,809 |
| 1896 | | | | |
| January | 127,291 | 6,096,322 | 835,667 | 6,931,989 |
| February | 64,316 | 4,742,457 | 529,785 | 5,272,242 |
| March | 26,548,278 | 7,351,521 | 764,158 | 8,115,679 |
| April-November | 89,357,043 | 976,652 ^a | 968,509 | 8,143 ^a |
| Total | 225,230,128 | 164,520,371 | 35,955,140 | 200,475,508 |

^a After April, 1896, revenue is not tabulated by the month, since it was an adjustment account after the end of the fiscal year; but these amounts show that the fixed sum of refunding exceeds that of payment.

appropriated from surplus in the Treasury, or by the issue of war scrip; and these temporary measures were repaid after April 1, 1896, by raising public loans and the transfer of the special account fund, which transactions will be described hereafter.

In regard to the above, the government used bank notes and copper coins as far as possible to meet extra expenses, and thus prevented a diminution of specie as well as the danger of a financial panic. The total amount paid out for war from June, 1894, to the end of March, 1896, was 200,483,651 *yen*, the following currency being employed:

CURRENCY EXPENDED FOR WAR PURPOSES, 1894-1896

| | Amount | Percentage |
|--------------------------------------|-------------|------------|
| | <i>Yen</i> | |
| Bank notes and copper coin | 183,981,744 | 91.8 |
| Silver dollars | 11,651,482 | 5.8 |
| Subsidiary silver coins | 2,601,028 | 1.3 |
| Silver bullion | 300,000 | 0.2 |
| Mexican dollars | 850,000 | 0.4 |
| Sycees | 1,099,293 | 0.5 |
| War scrip | 104 | .... |
| Total | 200,483,651 | 100.0 |

With regard to war scrip, it may be necessary to say something as to how it was used. Had bank notes been used in the theater of war, the paper currency would accordingly have had to be increased and in consequence there might have been a considerable withdrawal of specie. To avoid this, war notes of 1.5 and 10 *taels*, as well as of 5 *sen*, 2 *sen*, and one-half *sen*, were issued. It was found, however, that to circulate both war notes and bank notes in the same region was inconvenient for transactions; and so when the Japanese forces were about to invade the province of Chihli they were provided with war notes to the face value of 3,780,000 *yen*, equal to 2,700,000 *taels*, for use in that region. Peace was so soon restored, however, that it was found that only 103.60 *yen* of the war scrip had been used. The supply of war funds has already been outlined in a very general way, but each item in detail will be given later on.

EXPENDITURE OF THE SURPLUS IN THE TREASURY AND THE TEMPORARY MAKING UP OF DEFICITS

The budget for army and navy outlay during the war with China was calculated at the sum of 250,000,000 *yen*, for the greater part of which the government had to depend on public loans, the surplus in the Treasury for the fiscal year of 1893, the transfer of indemnity and other sources of income being comparatively of minor importance, as shown in the following table:

| | Yen | Percentage |
|---|------------------|------------|
| Treasury surplus, fiscal year 1893..... | 23,439,086..... | 10.4 |
| Public loans..... | 116,804,926..... | 51.9 |
| Transfer of indemnity..... | 78,957,165..... | 35.0 |
| Other receipts..... | 6,028,950..... | 2.7 |
| Total..... | 225,230,127 | 100.0 |

Although the surplus in the Treasury could be used immediately at the outset of the war, the public loan turned in 4,326,108 *yen* in monthly average from September, 1894, to November, 1896; and the transfer of indemnity was carried out after April, 1896. So that during this time revenue and expenditure did not often correspond, which will be explained later.

Before the Sino-Japanese War, the annual accounts showed a yearly surplus, owing to the negative policy, and the actual results for five years before the war stood as follows:

| Fiscal year | Yen |
|-------------|-------------|
| 1889..... | 16,974,397 |
| 1890..... | 24,343,951 |
| 1891..... | 19,675,597 |
| 1892..... | 24,727,171 |
| 1893..... | 29,187,509 |
| Total..... | 114,908,535 |

The surplus of the fiscal year 1893 was 29,187,508 *yen*; and 5,748,422 *yen* of this sum was transferred to the next fiscal year, so that 23,439,086 *yen* was transferred to the war fund, which facilitated our war movement. Although at the outbreak of war two or three special accounts were added to the surplus of 23,439,086 *yen* described above, so that it amounted to some 26,000,000 *yen* as war fund (including 439,086 *yen* added in November), 3,000,000 *yen* out of the amount were loaned to the Korean Government. Therefore it was in the end the same as mentioned at first. And although the war expenses were defrayed by the transfer of the surplus in the Treasury, from the outbreak of war to September, in a short time there was a deficit.

MONTHLY RECEIPTS AND DISBURSEMENTS, 1894-1896

| | Receipts | Disbursements ^a |
|---------------------------------------|-------------|----------------------------|
| | <i>Yen</i> | <i>Yen</i> |
| 1894 | | |
| June 6-July 31 | 26,000,000 | 5,272,982 |
| August . . . . . | ..... | 7,650,937 |
| September . . . . . | ..... | 9,765,265 |
| October | 3,395,565 | 15,259,757 |
| November | 6,579,153 | 19,339,801 |
| December | 7,588,052 | 13,774,671 |
| 1895 | | |
| January | 3,161,151 | 10,805,304 |
| February | 6,805,365 | 10,239,216 |
| March | 6,992,033 | 15,062,375 |
| April | 10,201,408 | 9,909,641 |
| May | 13,422,961 | 9,041,156 |
| June | 10,780,339 | 7,745,957 |
| July | 9,289,459 | 6,880,283 |
| August | 152,984 | 5,622,622 |
| September | 151,841 | 7,507,890 |
| October | 346,675 | 9,694,929 |
| November | 1,239,680 | 8,030,146 |
| December | 3,026,534 | 8,560,809 |
| 1896 | | |
| January | 127,291 | 6,931,989 |
| February | 64,316 | 5,272,242 |
| March | 26,548,278 | 8,115,680 |
| April-November ^a | 89,357,043 | 8,143 ^b |
| Total | 225,230,128 | 200,475,508 |

^a After April, 1896, accounts were not reckoned by the month, as it was an adjustment account after the end of the fiscal year.

^b Fixed sum of refunding exceeded that of payment.

From June, 1894, to May, 1896, the highest total shortage was 83,043,165 *yen*, which occurred in February, 1896, to meet which transfers were at once made from the Treasury, or loans were had from the Bank of Japan, or else war scrip was issued to make temporary adjustment. The following table will indicate the details of the making up of temporary deficits. Although the sum borrowed from the Bank of Japan will be described later, it is added here for the sake of convenience:

MEANS OF MEETING DEFICITS IN WAR FUND, 1894-1896 *

| Date | Total deficits in war fund | Transfers from Treasury | Temporary loan from Bank of Japan | Amount of war scrip issued |
|---------------------|----------------------------|-------------------------|-----------------------------------|----------------------------|
| 1894 | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| June . . . . . | .... | .... | .... | .... |
| July . . . . . | .... | .... | .... | .... |
| August . . . . . | .... | .... | .... | .... |
| September . . . . . | .... | .... | .... | .... |
| October | 8,553,377 | 2,553,377 | 6,000,000 | .... |
| November | 21,314,025 | 8,814,025 | 12,500,000 | .... |
| December | 27,500,645 | 7,970,645 | 19,530,000 | .... |
| 1895 | | | | |
| January | 35,144,798 | 16,724,798 | 18,420,000 | .... |
| February | 38,578,649 | 16,048,649 | 22,530,000 | .... |
| March | 46,648,991 | 22,368,991 | 20,500,000 | 3,780,000 |
| April | 46,357,224 | 25,077,224 | 17,500,000 | 3,780,000 |
| May | 41,975,419 | 24,195,419 | 14,000,000 | 3,780,000 |
| June | 38,941,037 | 22,661,037 | 12,500,000 | 3,780,000 |
| July | 36,531,861 | 20,727,592 | 12,500,000 | 3,304,269 |
| August | 42,001,498 | 26,748,677 | 12,500,000 | 2,752,821 |
| September | 49,357,547 | 29,080,730 | 18,390,000 | 1,886,817 |
| October | 58,705,800 | 32,412,194 | 25,000,000 | 1,293,606 |
| November | 65,496,266 | 31,534,497 | 33,100,000 | 861,769 |
| December | 71,030,541 | 28,710,373 | 41,500,000 | 820,168 |
| 1896 | | | | |
| January | 77,835,239 | 34,930,525 | 42,500,000 | 404,714 |
| February | 83,043,165 | 41,773,061 | 41,270,000 | 104 |
| March | 64,610,566 | 26,710,462 | 37,900,000 | 104 |
| April | 57,347,884 | 16,107,780 | 41,240,000 | 104 |
| May | 3,102,138 | 3,102,036 | .... | 102 |
| Total | 914,076,670 | 438,252,092 | 449,380,000 | 26,444,578 |

* After June, 1896, there was no further shortage.

RATIO OF MEANS OF MEETING DEFICITS IN WAR FUND, 1894-1896

| Date | Transfers from Treasury | Loans from Bank of Japan | Issue of war scrip |
|----------------|-------------------------|--------------------------|--------------------|
| 1894 | | | |
| October..... | 29.9 | 70.1 | .. |
| November..... | 41.4 | 58.6 | .. |
| December..... | 29.0 | 71.0 | .. |
| 1895 | | | |
| January..... | 47.6 | 52.4 | .. |
| February..... | 41.6 | 58.4 | .. |
| March..... | 48.0 | 43.9 | 8.1 |
| April..... | 54.1 | 37.8 | 8.1 |
| May..... | 57.6 | 33.4 | 9.0 |
| June..... | 58.2 | 32.1 | 9.7 |
| July..... | 56.7 | 34.2 | 9.1 |
| August..... | 63.7 | 29.8 | 6.5 |
| September..... | 58.9 | 37.3 | 3.8 |
| October..... | 55.2 | 42.6 | 2.2 |
| November..... | 48.1 | 50.6 | 1.3 |
| December..... | 40.4 | 58.4 | 1.2 |
| 1896 | | | |
| January..... | 44.9 | 54.6 | 0.5 |
| February..... | 50.3 | 49.7 | .. |
| March..... | 41.3 | 58.7 | .. |
| April..... | 28.1 | 71.9 | .. |
| May..... | 100.0 | .. | .. |

As may be seen from the above, the temporary deficit was met by transfers from the Treasury and loans from the Bank of Japan. So much then for the summary of war finance.

ISSUE OF PUBLIC LOANS

The public loan floated to cover the expenses of the war with China and affairs in Korea was named the "War Loan," and the sum of legal issue anticipated was in all about 230,000,000 *yen*; but only 124,920,000 *yen* was put on the market, as may be seen from the statements on pages 62-63.

A necessary disposition of finance with regard to Korean affairs was promulgated by Imperial Emergency Ordinance No. 143 on August 14, 1894, as follows: "The government is authorized to float a public loan for the purpose of meeting the expenses of Korean affairs." War loan regulations were then promulgated by Imperial Ordinance No. 144 on August

(1) DETAILS OF SUBSCRIPTIONS TO WAR LOANS

| | Time limit of application | Amount authorized | Number and time of payments | Laws and regulations | Method of issue |
|-----------------------------------|---------------------------|--------------------------|-------------------------------------|---|---|
| 1st Subscription..... | Sept. 10-13, 1894 | <i>Yen</i> 30,000,000 | 8; Sept. 20, 1894- June 30, 1895 | Imp. Ord. No. 144, Aug. 15, 1894 | |
| 2d Subscription (2d issue) | Dec. 11-15, 1894 | 50,000,000 | 7; Dec. 25, 1894- June 30, 1895 | Laws Nos. 25 and 195, Treas. Dept., Oct. 23, 1894 | Popular subscrip- tion |
| 3d Subscription (4th issue) | Mar. 16-21, 1896 | 10,000,000 | 8; Mar. 31-Oct. 31, 1896 | Law No. 8, Mar. 2, 1895; Ord. No. 2, Treas. Dept., Mar. 4, 1896 | |
| 4th Issue..... | ..... | 25,000,000 | ..... | Ord. No. 3, Treas. Dept., Mar. 4, 1896 | |
| <i>Kosho</i> Loan (3d issue)..... | ..... | 10,000,000 | ..... | Imp. Ord. No. 137, Oct. 2, 1896; Ord. No. 3, Treas. Dept., Oct. 4, 1896 | Bought by Bank of Japan ac- cording to spe- cial regulations |

(II) DETAILS OF RECEIPTS OF WAR LOANS

| | Time of issue | Amount of subscription | Amount received | Method of issue | Classification of account |
|---|------------------|------------------------|-------------------|---|--------------------------------------|
| War Loan (1st, 2d and 4th issues) . . . | To Mar. 31, 1896 | Yen 89,996,500 | Yen 87,702,532 | Popular subscription | Special, for war purposes General |
| | Thereafter | .... | 950 | Popular subscription | |
| | Total | 89,996,500 | 87,703,482 | | |
| War Loan (part of 4th issue) | To Mar. 31, 1896 | 25,000,000 | 25,000,000 | Extraordinary special issue | Special, for war purposes |
| | Total | 25,000,000 | 25,000,000 | | |
| Kosho Loan (3d issue) | To Mar. 31, 1896 | 4,047,500 | 4,102,394 | Extraordinary special issue | Special, for war purposes General |
| | Thereafter | 5,876,750 | 5,631,811 | Extraordinary special issue | |
| | Total | 9,924,250 | 9,734,205 | | |
| Grand totals | To Mar. 31, 1896 | 119,044,000 | 116,804,926 | Popular subscription (Y87,702,532) Extraordinary special issue (Y29,102,394) | Special (Y116,804,926) |
| | Thereafter | 5,876,750 | 5,632,761 | Popular subscription (Y950) | General (Y5,632,761) |
| | Total | 124,920,750 | 122,437,687 | Extraordinary special issue (Y5,631,811) | |

15, 1894, when it was decided to float a public loan by instalments to the limit of 50,000,000 *yen*. This was the beginning of war loans in Japan.

The war loan regulations fixed only the amount of the subscription, the period of redemption, the rate of interest and the time of payment. All other details of the loan were to be based on the consolidated public loan regulations by Imperial Ordinance No. 66 of October 16, 1886; and the war loan regulations were as follows:

War loan regulations

ARTICLE I. War loans shall be floated gradually to the limit of 50,000,000 *yen* by Imperial Ordinance No. 143.

ART. 2. The interest on the loan shall be less than 6 per cent per annum, and shall be paid twice yearly, in the month of June and December, until the redemption of the principal.

ART. 3. The principal shall be redeemed within fifty years from the sixth year after issue.

ART. 4. The subscriptions to the loans, the amount of issue, the price, rate of interest, the period of subscription, the number of times of instalment for subscription and other details shall be fixed by the Minister of Finance.

ART. 5. The delivery of public loan bonds, prescriptions in regard to payment of principal and interest, the management of bonds, and all other details not fixed by this regulation shall be arranged according to the Consolidated Public Loan Regulations promulgated by Imperial Ordinance No. 66 of the year 1886.

The subscriptions received on the above basis comprised the first war loan; and the method of subscription was announced by Notification No. 32 issued by the Treasury Department on August 17, 1894, the amount called for being, as already explained, 30,000,000 *yen*. They were issued at par and the security money was to be 10 per cent of the face value, the security to be transferred to the first payment, and the rest to be paid up in seven instalments from November 16, 1894, to the end of June, 1895.

METHOD OF PAYMENT FOR BONDS OF FIRST WAR LOAN

| Payments | 1894-1895 | Yen |
|--------------|-----------------|-----------------|
| First..... | to September 20 | 10 ^a |
| Second..... | October 16-31 | 10 |
| Third..... | November 16-30 | 10 |
| Fourth..... | February 16-28 | 10 |
| Fifth..... | March 16-31 | 10 |
| Sixth..... | April 16-30 | 10 |
| Seventh..... | May 16-31 | 20 |
| Eighth..... | June 16-30 | 10 |

^a Transferred from security.

The first war loan happened to be placed on the market at a time when money in both Osaka and Tokyo was showing the customary stringency of the season, and the daily interest fixed by the Tokyo Bankers' Club was 2 *sen*, 8.4 *rin*, or 10.022 per cent, and loans from the Bank of Japan were then 2 *sen*, 20. *rin*, or 8.03 per cent. The daily discount rate of securities payable in Tokyo was 2 *sen*, 1 *rin*, which is equal to 7.665 per cent, while the daily rate of discount of securities payable in another place was 2 *sen*, 3 *rin*, or 8.395 per cent. The minimum and maximum of interest in Tokyo and Osaka at that time was as follows:

INTEREST CHARGES IN TOKYO AND OSAKA

| Classification of amount loaned on security | Months | Tokyo | | | Osaka | | |
|---|--------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | Highest | Lowest | Average | Highest | Lowest | Average |
| <i>Yen</i> | | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> |
| 100-1000..... | Aug. | 1.127 | 0.959 | 1.034 | 1.351 | 1.132 | 1.241 |
| | Sept. | 1.107 | 0.971 | 1.056 | 1.250 | 1.010 | 1.122 |
| 1,000-10,000.... | Aug. | 1.076 | 0.923 | 1.003 | 1.278 | 1.059 | 1.132 |
| | Sept. | 1.051 | 0.934 | 1.003 | 1.163 | 0.961 | 1.059 |
| Above 10,000... | Aug. | 0.987 | 0.882 | 0.926 | 1.241 | 1.059 | 1.132 |
| | Sept. | 0.981 | 0.875 | 0.934 | 1.165 | 1.009 | 1.090 |

The market price of 5 per cent national bonds depreciated as follows:

DEPRECIATION OF 5 PER CENT NATIONAL BONDS

| Date | Loans | | |
|----------------------|------------|------------|--------------|
| | Kinroku | Naval | Consolidated |
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| August, 1894..... | 100.38 | 95.90 | 100.49 |
| September, 1894..... | 99.57 | 99.56 | 100.21 |

To undertake the flotation of a public loan for so large a sum as 30,000,000 *yen* was without precedent in Japan. Consequently the government, and the public as well, regarded the outcome with some misgiving. But fortunately the loyalty and patriotism of the nation overcame all difficulties and the subscriptions amounted to no less than 77,002,650 *yen*, the highest bid per hundred of face value being 142.44 *yen*, while other bids were 125 and 120 *yen*. The authorities therefore decided to accept applications for subscriptions above par to the extent of 11,627,850 *yen*, and at par to the amount of 18,372,150, or 30,000,000 *yen* in all.

The sum of actual receipts amounted to 30,063,372 *yen*, but as there were a few applicants who did not take up the amount applied for and forfeited their deposit money the total was thus affected, yet the amount subscribed was thereby reduced by only 2,200 *yen*, while the reduction in the actual receipts was no more than 1,855 *yen*. This signal success was obtained through the people's patriotism and public indignation.

The second loan, which was issued in accordance with Law No. 25 of October 23, 1894, was put on the market in November, 1894. The law reads as follows: "In order to defray the war expenses in connection with China and Korea the government is hereby authorized to raise a public loan gradually at less than 6 per cent interest; and the necessary details, such as methods, agreements, subscriptions and period of redemption, shall be fixed by the Minister of Finance."

On November 22, 1894, by Departmental Order No. 19, the Treasury floated a loan of 50,000,000 *yen* at 5 per cent interest, the notice concerning subscriptions being based on

Departmental Order No. 40, issued on the 22d of the same month by the Treasury. The loan was issued at 95 per 100 *yen* of face value, the security money to be transferred to subscription as first payment, and the balance to be paid up in six instalments from January 16, 1895, to the end of June of the same year. The period of application for subscription was limited to four days only, from December 11 to 15, other details being the same as in the case of the first loan. The instalments were to be paid up at the following rate per hundred *yen* of face value:

METHOD OF PAYMENT FOR BONDS OF SECOND WAR LOAN

| Payments | 1894-1895 | Yen |
|--------------|----------------|-----|
| First..... | to December 25 | 10* |
| Second..... | January 16-31 | 10 |
| Third..... | February 16-28 | 10 |
| Fourth..... | March 16-31 | 10 |
| Fifth..... | April 16-30 | 20 |
| Sixth..... | May 16-31 | 15 |
| Seventh..... | June 16-30 | 20 |

* Transferred from security.

Applications for subscriptions amounted to 90,301,300 *yen*, being 40,301,300 *yen* in excess of the issue called for. The highest bid was 120 *yen*. The government then decided to accept, first, applications for subscriptions above par to the amount of 22,119,850 *yen*, and, next, from among applicants at less than par, but more than 95 per 100 *yen*, the sum of 7,924,000 *yen*; and 19,955,150 *yen* from among applicants at par, making 50,000,000 in all.

As it was about the end of the year, the money market was somewhat tight, and the market price of the national bonds tended toward depreciation. Nevertheless the outcome was successful beyond expectation. This was due largely to the strength of the government's financial credit and the inherent economic power as well as to the patriotic feelings of the people.

The third loan was issued according to Law No. 8 of March 2, 1895, which says: "In order to meet expenses in regard to the war with China the government is hereby authorized to float by degrees a public loan to the limit of 100,000,000 *yen*

at interest of less than 6 per cent; and the necessary details as to price, method of flotation, agreement and period of subscription and redemption shall be left to the Minister of Finance."

On March 4, 1896, in accordance with Order No. 2 of the Treasury Department it was decided to call for a loan of 10,000,000 *yen* at 5 per cent interest; and in accordance with Announcement No. 13 issued by the Treasury, the date of payment for subscriptions was to be from April 16 to the end of October, 1896, in seven instalments, the period for applications to be from March 16 to 21, all other details to be the same as in the first issue.

The rate of payment for instalments was as follows:

METHOD OF PAYMENT FOR BONDS OF THIRD WAR LOAN

| Payments | 1896 | Yen |
|--------------|-----------------|-----------------|
| First..... | to March 31, | 10 ^a |
| Second..... | April 16-30 | 10 |
| Third..... | May 16-31 | 20 |
| Fourth..... | June 16-30 | 10 |
| Fifth..... | July 16-31 | 10 |
| Sixth..... | August 17-31 | 20 |
| Seventh..... | September 16-30 | 10 |
| Eighth..... | October 16-31 | 10 |

^a Transferred from security.

As the war was now over and the nation busily engaged in post-bellum enterprises, many hopeful undertakings were being started and the money market was showing considerable stringency. Consequently the amount subscribed was only 1,578,050 *yen*, the highest bid being 103, the applications above par reaching 1,026,850 *yen* and those at par 551,200. Therefore to make up the deficiency, 5,000,000 *yen* was transferred from the indemnity account, and the Bank of Japan advanced the sum of 3,420,000 *yen* on these bonds.

The general features of each of the loans having been outlined above, the loans may be tabulated as on pages 69-70.

During the periods of subscription for the first and second loans the war was in progress, and news of victory was constantly in the air, but no one of course knew as yet just what would be the final outcome. Yet it was quite evident that the nation was being worked up to a high state of excitement

DETAILS OF FIRST THREE WAR LOANS

| | First Loan | Second Loan | Third Loan | Total |
|------------------------------|---------------|---------------|---------------|---------------------|
| <i>Applications:</i> | | | | |
| Total amount..... | 77,002,650.00 | 90,301,300.00 | 10,000,000.00 | 177,303,950.00 |
| Amount at lowest price..... | 65,374,800.00 | 68,181,450.00 | 8,973,150.00 | 142,529,400.00 |
| Amount at highest price..... | 11,627,850.00 | 22,119,850.00 | 1,026,850.00 | 34,774,550.00 |
| Highest bid..... | 142.44 | 120.00 | 103.00 | 121.65 ^a |
| Lowest bid..... | 100.00 | 95.00 | 100.00 | 98.33 ^a |
| Average price..... | 100.08 | 95.11 | 100.08 | 97.57 |
| <i>Subscriptions:</i> | | | | |
| Total amount..... | 30,000,000.00 | 50,000,000.00 | 10,000,000.00 | 90,000,000.00 |
| Oversubscription..... | 47,002,650.00 | 40,301,300.00 | ..... | 87,303,950.00 |
| Lowest price..... | 100.00 | 95.00 | 100.00 | 98.00 ^a |
| Average price..... | 100.21 | 95.28 | 100.01 | 97.45 |
| <i>Actual receipts:</i> | | | | |
| Total amount..... | 30,063,372.00 | 47,638,852.00 | 10,001,258.00 | 87,703,482.00 |

^a Average.

DISTRIBUTION OF APPLICATIONS

| Source | First Loan | | Second Loan | | Third Loan | | Total | |
|-----------------------------------|------------|---------------|-------------|---------------|------------|---------------|---------|---------------|
| | No. | Amount Yen | No. | Amount Yen | No. | Amount Yen | No. | Amount Yen |
| Government offices..... | 38 | 425,550 | 94 | 631,400 | 21 | 5,299,000 | 153 | 6,355,950 |
| Banks and financial institutions. | 720 | 34,747,050 | 1,019 | 37,955,750 | 32 | 3,705,150 | 1,771 | 76,407,950 |
| Local self-governing bodies..... | 1,124 | 627,500 | 1,418 | 621,500 | 63 | 32,200 | 2,605 | 1,281,200 |
| Schools..... | 100 | 43,200 | 111 | 30,900 | 14 | 11,050 | 225 | 85,150 |
| Hospitals..... | 2 | 400 | 5 | 7,550 | .... | .... | 7 | 7,950 |
| Shrines and temples..... | 141 | 702,100 | 238 | 847,000 | 13 | 12,350 | 392 | 1,561,450 |
| Individuals..... | 116,890 | 40,456,850 | 170,163 | 50,197,800 | 2,015 | 935,250 | 289,068 | 91,589,900 |
| Foreigners..... | .... | .... | 3 | 9,400 | 2 | 5,000 | 5 | 14,400 |
| Total..... | 119,015 | 77,002,650 | 173,051 | 90,301,300 | 2,160 | 10,000,000 | 294,226 | 177,303,950 |

and indignation, and liberal contributions for the relief of soldiers as well as many other patriotic works were undertaken, with the result that the loan was popular beyond all expectation, especially as compared with loans raised in time of peace. Even the very poor who could not be expected to have more than would keep them, applied for subscriptions out of their small savings and by dint of the most careful frugality. Accordingly, the number of subscribers to the first loan was 119,015; to the second loan, 173,051; and the average sum subscribed for in the first loan was 647 *yen*; and in the second loan, 521 *yen*. The difference was, therefore, as far apart as heaven and earth as compared with loans issued in time of peace, the average then being 3,005 *yen* per subscriber.

On account of the number of applications from small subscribers being so numerous there were naturally some deferred payments, the interest on which amounted to 7,313.71 *yen* for the three issues. Moreover, the regulations concerning consolidated bonds required that applications which were not paid up should become invalid and the security money forfeited together with the amounts paid up. For this reason the fixed amount subscribed was slightly reduced. This being the case, the actual sum of the war bonds issued was 89,996,500 *yen* in all. The actual sum of receipts was still further modified by interest on deferred payments, the account being as shown in the table on page 72.¹

The public loans heretofore described were issued directly to the public by so-called general subscription. At the same time a war loan of 35,000,000 *yen* was subscribed for by extraordinary special issue based upon Article VI, paragraph

¹ By regulations of consolidated bonds the paid up sums of those failing to complete their payments were forfeited; and, in this way, of the first issue 20 *yen* of security money and 90 *yen* of the first instalment was forfeited, 190 *yen* of the second instalment and 45 *yen* of the third instalment. In the second issue 65 *yen* among subscribers to the first instalment, 50 *yen* of the second, 60 *yen* of the third, 60 *yen* of the fourth, and 30 *yen* of the fifth instalment, were forfeited.

The difference between par and above par price which was paid up in the first issue was 12.80 *yen* and 4.04 *yen* in the second. However, in the first, as there was a case in which only the security money was paid and not 0.30 *yen* of the difference mentioned previously, a fractional sum of 0.30 *yen* did not go into the actual receipt.

RECEIPTS FROM WAR LOANS

| | First issue | Second issue | Third issue | Total |
|---|-------------|--------------|-------------|------------|
| Subscription: | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Amount issued | 30,000,000 | 50,000,000 | 10,000,000 | 90,000,000 |
| “ deferred | 2,200 | 1,300 | ..... | 3,500 |
| Total | 29,997,800 | 49,998,700 | 10,000,000 | 89,996,500 |
| Receipts: | | | | |
| Amount received | 30,065,227 | 47,639,822 | 10,001,258 | 87,706,307 |
| “ deferred | 1,855 | 970 | ..... | 2,825 |
| Total | 30,063,372 | 47,638,852 | 10,001,258 | 87,703,482 |
| Amount received: | | | | |
| Interest on deferred payments | 3,134 | 4,044 | 134 | 7,312 |
| Total | 30,066,506 | 47,642,896 | 10,001,392 | 87,710,794 |

2, of the amendment to the regulations with regard to consolidated bonds, promulgated by virtue of Imperial Ordinance No. 46, issued on June 16, 1888, which declares that “the Minister of Finance is authorized to issue bonds after the price of the Consolidated Loan bonds is fixed, in accordance with the current market price, without having recourse to general subscriptions, the bonds to be delivered to the Bank of Japan; but the amount and the price of the bonds so issued must be published by the Minister of Finance on the day after issue.”

In regard to the above it may be said that the Minister of Finance fixes the price of such bonds as he may think proper, in accordance with the market price of the bonds of the same kind which he has issued before.

One of the extraordinary special loans was based upon Imperial Ordinance No. 137, of October 1895 which says: “The grant of a lump sum may be had from the Treasury for war purposes by delivering bonds at par to the Bank of Japan who will deliver them to purchasers according to convenience, no transaction to be for less than 50 *yen*.” This loan was issued in instalments at 5 per cent interest to the

limit of 10,000,000 *yen*, which was part of the 100,000,000 *yen* loan previously arranged to be issued in conformity with Law No. 25 of October 23, 1894, known as the *Kosho* Loan, based on Order No. 3 of the Treasury Department, October 4, 1895.

As the said loan was to be issued in place of a grant from the Treasury, either the War or the Naval Office applied to the Bank of Japan as necessity required, and the bank applied to the Minister of Finance, who then issued in accordance with the second clause of article 6 of the Consolidated Bond Regulations and delivered the bonds to the Bank of Japan, and the bank paid the money into the Treasury. Moreover, as to certain parts of the war budget up to March, 1896, it was known as an extraordinary account, as both the War and the Naval Office decided to purchase the bonds above named. The total amount of issue was 9,924,250 *yen*; and the amount of actual receipts was 9,734,205.15 *yen*, being 9,132,756 *yen* for the War Office, and 791,500 for the Naval Office. But in regard to the purchase the special account for war purposes amounted to 4,102,394.50 *yen* and the amount not issued was 75,750 *yen*.

Another extraordinary special issue, being the fourth loan, was for 25,000,000 *yen* in face value of bonds issued, taken up by employing funds from the Deposits Section of the Treasury. The details with regard to the loan are given on page 74.

LOANS

The loans for extraordinary war expenses were based on Imperial Emergency Ordinance No. 143, issued on August 13, 1894, which says: "In order to meet the expenses of Korean affairs the government is hereby authorized to borrow money, as an urgent measure, from the Bank of Japan." Although this power was not used at the time, it authorized the government to make up a temporary shortage by borrowing from the central bank to help out the war funds. Again, by virtue of Law No. 25 issued on October 23, 1894, the government floated a public loan to the limit of 100,000,000 *yen* at less than 6 per cent interest, at the same time borrowing money

FOURTH WAR LOAN

| Issues | Date | Amount of issue | Price | Amount actually issued |
|--------------|--------------|-------------------------|------------|-------------------------|
| | 1895 | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Third | Oct. 16 | 90,000 | 100.50 | 90,450 |
| " | Oct. 25 | 150,000 | 100.20 | 150,300 |
| " | Oct. 30 | 40,000 | 100.30 | 40,120 |
| " | Oct. 31 | 30,000 | 100.30 | 30,090 |
| " | Nov. 8 | 400,000 | 100.30 | 401,200 |
| " | Nov. 14 | 50,000 | 100.70 | 50,350 |
| " | Nov. 19 | 262,500 | 101.10 | 265,388 |
| " | Nov. 28 | 328,000 | 101.90 | 334,232 |
| " | Dec. 9 | 60,000 | 102.60 | 61,560 |
| " | Dec. 13 | 250,000 | 102.50 | 250,250 |
| " | Dec. 25 | 2,037,000 | 101.50 | 2,067,555 |
| " | Dec. 27 | 350,000 | 101.40 | 354,900 |
| | 1896 | | | |
| " | Apr. 2 | 50,000 | 98.90 | 49,450 |
| " | Apr. 6 | 30,000 | 98.90 | 29,670 |
| " | June 29 | 500,000 | 100.20 | 501,000 |
| " | Sept. 26 | 300,000 | 98.70 | 296,100 |
| " | Dec. 16 | 500,000 | 98.36 | 491,800 |
| | 1897 | | | |
| " | Feb. 26 | 300,000 | 99.49 | 298,470 |
| " | Mar. 3 | 600,000 | 99.04 | 594,240 |
| " | Mar. 26 | 400,000 | 99.14 | 396,560 |
| " | Oct. 14 | 600,000 | 95.83 | 574,980 |
| " | Dec. 21 | 1,000,000 | 93.15 | 931,500 |
| | 1898 | | | |
| " | Feb. 7 | 45,000 | 93.48 | 42,066 |
| " | Mar. 12 | 1,200,000 | 91.32 | 1,095,840 |
| " | Mar. 30 | 3,000 | 89.94 | 2,698 |
| " | Oct. 24 | 48,000 | 92.51 | 44,405 |
| " | Dec. 28 | 57,750 | 92.98 | 53,696 |
| | 1899 | | | |
| " | Mar. 15 | 28,000 | 95.84 | 26,751 |
| " | Mar. 28 | 130,000 | 94.81 | 123,253 |
| " | Oct. 13 | 20,000 | 95.8 | 19,096 |
| | 1900 | | | |
| " | Mar. 27 | 60,000 | 92.84 | 55,704 |
| " | Sept. 28 | 3,000 | 90.71 | 2,721 |
| " | Oct. 15 | 2,000 | 90.51 | 1,810 |
| Total Fourth | Mar. 4, 1896 | 9,924,250 25,000,000 | 100.00 | 9,728,205 25,000,000 |
| Total | | 34,924,250 | | 34,728,205 |

from the Bank of Japan, the amount being used for extraordinary war expenses. By virtue of Law No. 8 of March 2, 1895, the government borrowed money under the same conditions as above. A loan of 20,500,000 *yen* was raised by authority of Law No. 25 and a loan of 20,260,000 *yen* on Law No. 8, the total being 40,760,000 *yen*, but there was no loan caused by urgent measure.

The above loans were fixed and issued by contract papers stating the amount of the loan, or by special orders delivered as necessity required. It was after the example of the temporary Loan Law No. 16 of February 20, 1894, which authorized borrowing from the Bank of Japan at reasonable interest to make up temporary deficits within any one fiscal year. There were two methods of obtaining the money: one by fixed loan and the other by current loan. The fixed loan is at a fixed rate of interest, the amount of the loan and terms of redemption being arranged by contract paper or by command of the Minister of Finance. The current loan, on the other hand, is raised on security of money forwarded from the treasuries at different places in the Empire to the central cash office in Tokyo or the branch cash office in Osaka, the interest for the loan being the same as the daily rate for overdrafts in the Bank of Japan. The loan referred to in this paragraph was a fixed loan.

The details of the loans based on Laws No. 25, 1894, and No. 8, 1895, are as follows:

LOAN BASED ON LAW NO. 25, 1894

| Date of issue | Amount | Annual rate of interest | Date of redemption |
|-------------------------|------------|-------------------------|--------------------|
| | <i>Yen</i> | <i>Per cent</i> | |
| Nov. 15, 1894 | 8,000,000 | 5 | Mar. 31, 1895 |
| Nov. 26, 1894 | 1,500,000 | 5 | " |
| Dec. 10, 1894 | 3,000,000 | 5 | " |
| Dec. 15, 1894 | 3,000,000 | 5 | " |
| Feb. 1, 1895 | 2,000,000 | 5 | " |
| Feb. 6, 1895 | 3,000,000 | 5 | " |
| Total | 20,500,000 | | |

LOAN BASED ON LAW NO. 8, 1895

| Date of issue | Amount | Annual rate of interest | Date of redemption |
|---------------------|------------|-------------------------|--------------------|
| | <i>Yen</i> | <i>Per cent</i> | |
| Nov. 14, 1895 | 2,000,000 | 6 | Dec. 31, 1895 |
| Dec. 2, 1895 | 1,000,000 | 6 | " |
| Dec. 3, 1895 | 1,500,000 | 6 | " |
| Dec. 9, 1895 | 1,000,000 | 6 | " |
| Dec. 12, 1895 | 1,000,000 | 6 | " |
| Dec. 18, 1895 | 1,000,000 | 6 | " |
| Dec. 25, 1895 | 1,000,000 | 6 | " |
| Dec. 26, 1895 | 1,000,000 | 6 | " |
| Dec. 28, 1895 | 2,000,000 | 6 | " |
| Jan. 22, 1896 | 1,000,000 | 6 | Mar. 31, 1896 |
| Jan. 28, 1896 | 1,000,000 | 6 | " |
| Mar. 5, 1896 | 1,000,000 | 6 | " |
| Mar. 27, 1896 | 1,000,000 | 6 | " |
| Mar. 31, 1896 | 760,000 | 6 | " ^a |
| Mar. 31, 1896 | 500,000 | 6 | June 30, 1896 |
| Apr. 1, 1896 | 1,000,000 | 6 | " |
| Apr. 1, 1896 | 1,000,000 | 6 | " |
| Apr. 6, 1896 | 1,500,000 | 6 | " |
| Total | 20,260,000 | | |

^a Date of redemption prolonged to June 30, 1896, by order of the Minister of Finance.

As already described, the above loan for extraordinary war expenses was a temporary measure, and in accordance with the receipts of the war loan was to be redeemed gradually. Although March 31, 1895, was the date set for redemption of the 20,500,000 *yen* loan raised by Law No. 25 in 1894, the battle line extended, with consequent increase of outlay, so that it was quite impossible to undertake redemption as promised. Therefore, the Minister of Finance gave notice of the postponement of redemption to the Bank of Japan, naming June 30 of the same year as the date set for redemption. However, by April the cash on hand in the Treasury had increased to such an extent that 3,000,000 *yen* of the loan was paid off, which was the first redemption of loans from the Bank of Japan. Thereafter redemption took place frequently at the convenience of the Treasury, although sometimes redemption had to be postponed, not being completed until May, 1896.

The loan based on Law No. 8 of 1895 was redeemed in May, 1896, after having been postponed frequently, like the former loan. The details of the loan follow:

| Date of redemption | Amount of redemption | | Total |
|--------------------|----------------------|------------|------------|
| | By Law 25 | By Law 8 | |
| | <i>Yen</i> | | <i>Yen</i> |
| Apr. 18, 1895..... | 3,000,000 | .... | 3,000,000 |
| May 1, 1895..... | 2,000,000 | .... | 2,000,000 |
| May 15, 1895..... | 3,000,000 | .... | 3,000,000 |
| Feb. 3, 1896..... | 920,000 | .... | 920,000 |
| Feb. 8, 1896..... | 1,310,000 | .... | 1,310,000 |
| Mar. 2, 1896..... | 4,130,000 | .... | 4,130,000 |
| Mar. 26, 1896..... | 1,300,000 | .... | 1,300,000 |
| Mar. 26, 1896..... | 440,000 | .... | 440,000 |
| Mar. 31, 1896..... | 760,000 | .... | 760,000 |
| Apr. 22, 1896..... | 160,000 | .... | 160,000 |
| May 14, 1896..... | 2,020,000 | .... | 2,020,000 |
| May 20, 1896..... | 1,460,000 | 20,260,000 | 21,720,000 |
| Total..... | 20,500,000 | 20,260,000 | 40,760,000 |

The payment of interest for the loan stood as follows:

| Fiscal years | By law No. 25 in 1894, 5% per annum | By law No. 8 in 1895, 6% per annum | Total |
|--------------|---|--|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1894..... | 304,384 | .... | 304,384 |
| 1895..... | 505,274 | 40,685 | 545,959 |
| 1896..... | 144,366 | 359,549 | 503,915 |
| Total..... | 954,024 | 400,234 | 1,354,258 |

EMPLOYMENT OF INDEMNITY

The amount transferred from the sum received as indemnity from China to the fund for making up war expenses was 82,171,650 *yen*, the details being as follows:

| Items | Fiscal year | Amount |
|--|-------------|------------|
| | | <i>Yen</i> |
| Transferred to special account for war purposes..... | 1895 | 78,957,165 |
| War and transportation expenses for fiscal year 1897-1898..... | 1897 | 3,150,789 |
| | 1898 | 63,696 |
| Total..... | | 82,171,650 |

The amount of Chinese indemnity received for the fiscal year 1895 was 74,143,054 *yen* for war indemnity, 44,907,449 *yen* as compensation for the retrocession of the Liaotung peninsula, and the sum of 93,624 *yen* as the profit realized by utilizing the paid-in indemnity and the marginal profit gained from the exchange rates in Japan's favor, or 119,144,177 in all. As first it was intended that the indemnity should be devoted to extension of the army and navy. But as it was necessary to bring the special accounts for the war with China to a close at the end of March, 1896, and a public loan or a loan of over 100,000,000 *yen* from the bank would be required to do so, it was decided to use some of the indemnity to balance the account, rather than leave the war expense to depend on public loans and perhaps greatly disturb the money market, while at the same time an idle surplus would be piling up in the Treasury. Moreover the interest on public loans had to be met. Consequently some of the indemnity was diverted to war expenses, leaving armament expansion to future loans. The portion of indemnity used in this way was 78,957,164.89 *yen*, while 3,210,000 *yen* was used during the two fiscal years of 1897 and 1898 for repletion of war funds.

PART II
ECONOMIC EFFECTS OF THE
SINO-JAPANESE WAR

CHAPTER I

INTRODUCTION

There are two distinct points of view from which the economic effects of war may be studied. The first includes the effects upon the ordinary life of the nation, and the second the effects upon national economics and finance. This latter includes the study of the methods of securing funds for prosecuting the war, rehabilitating old industries and starting new ones after the war, and meeting the changes which result from the fluctuation in the exchange value of money. Of these latter changes we may mention (1) the tightening of the money market caused by large bond issues; (2) the inflation of the currency due to purchase of war supplies, etc.; (3) the rise in prices caused by the war, increase in taxes, and inflation of the currency; (4) the increase or decrease in individual incomes caused by financial instability, etc., and (5) the increase in speculation due to the foregoing causes.

These, then, are the general economic effects of war to be considered, and certainly the Sino-Japanese War was no exception, since all of the foregoing phenomena were to be observed during and after that conflict. This fact must be noted, however,—that it was the first international war in the history of modern Japan, i.e., since the beginning of the Meiji Era. Only a quarter of a century had elapsed since great changes had taken place in our government, and this quarter of a century therefore can not be considered a strictly normal period. Many serious financial problems were waiting to be solved, such as the adjustment of debts contracted during the feudal or Tokugawa epoch, the securing of money for the various needs of the new government and expenditure of the same, and the disposal of a large number of inconvertible notes. Moreover the new government was beset with other difficulties—the initial conflicts of the Restoration period,

the civil war of the Southwest (1877), etc. As a result, finances became constantly more difficult to manage, and when the issue of inconvertible notes finally reached the highest possible point, a decline in value set in. Only when a central bank—the Bank of Japan—had been established, was the agio, or difference in value between specie and notes, removed. In 1883 a monetary standard was established which was virtually silver, although by statute it was bi-metallic. Soon thereafter, owing to the fluctuation in value of silver and gold, monetary complications arose, and before these had been settled the Sino-Japanese War broke out. Then, in addition to the internal problems with which we were already wrestling, we found ourselves face to face with China in the war of 1894—China that ancient nation with the prestige of her four thousand years of history to count upon. For a nation like Japan, economically unsteady, and not yet prepared for a long fight, to challenge such an antagonist was like sweeping the sea with a broom—an impossible task, indeed, it seemed! So, although the valiant spirit of the people made up for the shortage of material supplies to some extent, we must admit that our power of continued resistance, financial and economical, was very weak, and that the effects of war upon the national economics and finance were very severe.

First, let us proceed to consider the financial effects of the war. The whole expenditure amounted to more than 250,000,000 *yen*. Besides this, the expenses of various post-bellum undertakings were enormous, so that the people had to endure a constant and heavy drain. The total amount of the Treasury's annual disbursement at once became double that before the war. As to revenues, taxes had not been materially increased in order to meet the expenditure during the war, as this was largely met by means of war loans; while for restoring normal conditions after the war and for various post-bellum undertakings the war indemnity secured was employed. But this, although large, was not sufficient, and it was necessary therefore to increase the taxes and to float loans in addition.

In consequence, the whole nation, and economic circles in particular, became heavily burdened.

Next, let us consider the general economic effects of the war. In the first place, owing to the issue of war bonds the money market was greatly tightened, but after victory was secured the conditions improved. After the war, the government and the Bank of Japan began to lend capital. By changing a virtual silver standard into a gold standard, the barrier to the free circulation of capital between Japan and the gold-standard nations was removed, and, with a view to perfecting financial facilities, hypothec and industrial banks were established. The loan power of the Bank of Japan was extended. The national banks, which so far had been an incubus upon industry, were transformed into ordinary banks. These steps facilitated the circulation of capital and helped considerably to ease the money market. But this easy condition, together with the craze for speculation rife among a people drunk with victory, caused a great financial panic which subsided only in 1903-1904.

Secondly, as a result of issuing bonds during the war, and increasing taxes and notes as a measure of relief for the financial world, the volume of currency was considerably enlarged and the prices of commodities in general rose, the more so as the money market before the war had been tight and the entire amount of currency small.

To take another point of view, let us consider that the Sino-Japanese War was the first international war which Japan had fought in modern times and that the people were unaccustomed to such experiences as they were then having. In addition, mindful of the dangers of fighting against this vast and ancient empire, they were entertaining grave anxieties as to the future. Fortunately for Japan, the war ended in a glorious victory for her so that the people came to realize that the efforts made during the quarter of a century past had not been made in vain. They were then fired with ambition to exert more energy along the line of national endeavor, so that Japan might extend her power in the Far East, and to

this end the government and people cooperated in various post-bellum undertakings. Means of communication and transportation, as well as financial organs, were perfected, educational institutions were improved, industries encouraged, various facilities to develop foreign trade established, and the system of encouraging shipbuilding and navigation by subsidies or grants of money was established. Thus the commercial standing of the nation was improved and industry, commerce, communication and various hitherto undeveloped enterprises were revolutionized so as to fit in with the new period, and therefore any discussion of the effects of the war is really identical with an historical statement of the progress made in these national activities. As for the increase or decrease in individual incomes, such are the inevitable results of wars and other great cataclysms of society. Especially is this true when the stock market is favorable, following the inception of post-bellum enterprises by the government and people. After the Sino-Japanese War great changes in private incomes were particularly common.

The foregoing various phenomena were important results of the war. But what is to be considered as the most important result was the effect of the war upon the life of the people. This was felt for a very much longer period than other effects. The expenditure for the Sino-Japanese War was about 250 million *yen*. But we must also take into consideration the indirect losses suffered on account of the war, the expenditure required to restore normal conditions after the war, and the capital employed for various post-bellum undertakings. When these losses and expenses are added together, the amount reaches an enormous figure. This amount could be temporarily met to be sure by means of bond issues, loans secured from the central bank, the sale of government property, and contributions by the people (especially during the war), etc. But in the long run it had to be met by revenue from taxes (direct and indirect), and the result was (1) an increase in the burdens borne by the people by the establishment of new and the increase of old taxes; (2) the permanent inflation of the

currency; and (3) a rise in the prices of commodities, etc. The difference between rich and poor then became more noticeable, the difficulty of living on the part of the majority of the people and also their discontent increased, while social and political transformations consequent upon the foregoing phenomena took place. These changes, indeed, constitute the most important problem for study.

The increase in the burdens of the people, the inflation of the currency, and the rise in the prices of commodities were all actual phenomena observed after the Sino-Japanese War. Fortunately in Japan wages for labor and the other sources of income of the people rose in proportion to the rise in prices, so that the evil effects of the change were not felt so very sharply. But the increase in the difference between rich and poor and the difficulty of living for the majority became more and more well-defined facts, so that farmers began to leave their homes and flock to cities or manufacturing towns. The beauty and simplicity of country life which had generally prevailed before was gone and the country districts were left to decay. Concentration of the population in cities tended to increase the difficulty of living. But as Japan has only recently been opened to Western civilization, and is situated in the Far East where the civilized nations of the west are concentrating their energy upon conquest, she has been so busily engaged in establishing herself as an independent power that she has not yet had time to pay proper attention to the question of living as it concerns the generality of the people. Consequently, the burdens of the people increased considerably after the Sino-Japanese War, and even yet they can not enjoy the happiness of perfect living conditions. Yet this state of affairs was the natural result of the geographical position of Japan, and it may not be strictly true to say that it was a direct result of the Sino-Japanese War. But as international diplomatic relations of Japan assumed more importance, with the Sino-Japanese War as the starting point, and as it was this war which exposed the weakness of China and thereby encouraged the Western Powers to bring pressure

to bear upon the East, our statement in the foregoing paragraph may be seen to be a correct one. We shall now go into more detail as to each of the phenomena mentioned above, expressing our views in concrete form in order to show how far reaching the effect of the Sino-Japanese War was upon our economic world.

CHAPTER II

EFFECTS ON PUBLIC FINANCE

The effects of the Sino-Japanese War on public finance were most directly shown in the annual budgets of the government. We shall therefore present tables giving the annual budgets from 1893, the year before the Sino-Japanese War, to 1903, the year before the Russo-Japanese War, in order to show the influence of the former war upon the annual budgets of the nation.

ANNUAL REVENUE, 1893-1903

| Fiscal Year | Ordinary | Extraordinary | Total |
|-------------|-------------|---------------|---------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1893..... | 85,883,080 | 27,886,300 | 113,769,380 |
| 1894..... | 89,748,454 | 8,421,574 | 98,170,028 |
| 1895..... | 95,444,652 | 22,988,069 | 118,432,721 |
| 1896..... | 104,904,501 | 82,114,922 | 187,019,423 |
| 1897..... | 124,222,964 | 102,167,159 | 226,390,123 |
| 1898..... | 132,869,336 | 87,184,792 | 220,054,128 |
| 1899..... | 177,328,528 | 76,925,996 | 254,254,524 |
| 1900..... | 192,170,081 | 103,684,787 | 295,854,868 |
| 1901..... | 202,035,100 | 72,323,950 | 274,359,050 |
| 1902..... | 221,240,408 | 76,101,016 | 297,341,424 |
| 1903..... | 224,180,699 | 36,040,059 | 260,220,758 |
| Total..... | 650,027,803 | 695,838,624 | 1,345,866,427 |

ANNUAL EXPENDITURES, 1893-1903

| Fiscal year | Ordinary | Extraordinary | Total |
|-------------|-------------|---------------|---------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1893..... | 64,545,599 | 20,036,273 | 84,581,872 |
| 1894..... | 60,421,346 | 17,707,297 | 78,128,643 |
| 1895..... | 67,148,007 | 18,169,173 | 85,317,180 |
| 1896..... | 100,712,816 | 68,143,692 | 168,856,508 |
| 1897..... | 107,695,127 | 115,983,717 | 223,678,844 |
| 1898..... | 119,072,144 | 100,685,424 | 219,757,568 |
| 1899..... | 137,590,418 | 116,575,120 | 254,165,538 |
| 1900..... | 149,134,167 | 143,615,892 | 292,750,059 |
| 1901..... | 160,363,583 | 106,493,241 | 266,856,824 |
| 1902..... | 171,059,808 | 118,166,923 | 289,226,731 |
| 1903..... | 169,761,914 | 79,834,217 | 249,596,131 |
| Total..... | 307,504,929 | 905,410,969 | 1,212,915,898 |

Taking the figures for 1893 as 100, the percentages of the figures for the other years will be as follows:

ANNUAL REVENUE AND EXPENDITURES, 1893-1903, IN PERCENTAGE

| Fiscal year | Revenue | | | Expenditures | | |
|----------------|----------|---------------|-------|--------------|---------------|-------|
| | Ordinary | Extraordinary | Total | Ordinary | Extraordinary | Total |
| 1893 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1894 | 104.5 | 30.2 | 86.3 | 93.6 | 88.4 | 92.4 |
| 1895 | 111.1 | 82.4 | 104.1 | 104.0 | 90.7 | 100.9 |
| 1896 | 122.1 | 294.5 | 164.4 | 156.0 | 340.1 | 199.9 |
| 1897 | 144.6 | 366.4 | 199.0 | 166.9 | 578.9 | 283.4 |
| 1898 | 154.7 | 312.6 | 193.4 | 184.4 | 502.5 | 259.8 |
| 1899 | 206.5 | 275.9 | 223.5 | 213.1 | 581.8 | 300.5 |
| 1900 | 223.8 | 371.8 | 260.1 | 231.1 | 716.8 | 346.1 |
| 1901 | 235.2 | 259.4 | 241.2 | 248.5 | 531.5 | 315.5 |
| 1902 | 257.6 | 272.9 | 261.4 | 265.0 | 589.8 | 342.0 |
| 1903 | 261.0 | 129.2 | 228.7 | 263.0 | 398.4 | 295.1 |

The foregoing tables show that the annual budget which was 84 million *yen* in 1897 became twice as big after the war, that is, over 168 million *yen*. It increased gradually until in 1903 it reached over 249 million *yen*, that is, an increase of 195 per cent. Now what was the cause of this increase in expenditure, and from what source was the revenue to come to offset it? To make this clear will be to make clear the effects of the war upon finance.

The Sino-Japanese War was, as stated above, the first international war which Japan had waged since the Restoration of Meiji. Abroad it raised the status of Japan and proved her to be in reality the protector of the safety and peace of the Far East, and thus gave her an established position among the great powers of the world. At home, it enabled her to realize her own power, through the experience of a continental war, and at the same time gave her the opportunity to rise in power, through victory in this war, in accordance with the forward policy laid down at the time of the Restoration. Even the tragic incident at the close of this war, the interference by the three European Powers, was only an added incentive to the

nation to exert her utmost energy for the development of national power and the replenishment and expansion of the provisions for national defense. Naturally the expenditures greatly increased, because an enormous amount of money was needed at the time of the war, not only for war expenses but also for the increase in the ordinary administrative expenses owing to the war, and again after the war to repay the principal and interest of the various war bonds. These were assuredly the reasons why the annual national budget increased so much after the Sino-Japanese War.

The effects of the war upon national finance may be discussed under two headings—

(1) Securing of a war fund and readjustments incident thereto.

(2) Post-bellum enterprises.

The first of these two points was discussed in detail in the third Chapter of Part I, under the heading "Supply of War Funds," so we shall omit it here. We might remark here, however, that the only item under this head which caused financial trouble in later days was the issue of war bonds.¹ The redemption and interest payments on these bonds were completed in July, 1910. We shall discuss this matter in detail in the next section.

As for the enterprises undertaken after the war, they were many and various. The chief items were (1) rehabilitation and expansion of the army and the navy (the latter on a scale commensurate with the change in the national status after the war) and the establishment of an iron foundry; (2) improvement of educational institutions in order to cherish and develop the national strength, increase of legations abroad, river repairs, railway construction and improvement, extension of the telephone system, expansion of foreign trade, subsidies for shipbuilding, encouragement of navigation and extension of sea traffic, readjustment of the monetary system, perfecting of financial facilities and agricultural institutions,

¹ Amount of bonds issued, 124,920,750 *yen*; amount actually received, 122,437,687 *yen*.

colonial development of Hokkaido, and the establishment of various facilities for the government of the newly acquired territories. In order to put the foregoing plans into execution, the government approved the national budget outlined below:

1. Plan to meet the increase in expenditure after 1896:

(a) As sources of revenue to meet ordinary expenditure due to post-bellum undertakings, a *sake* tax, a business tax, and a registry tax shall be levied, and a leaf tobacco monopoly established.

(b) For army and navy expansion and for the establishment of a new iron foundry, a part of the indemnity collected from China was to be used.

(c) As sources of revenue for railway and telephone improvement or extension, bonds were to be issued.

2. Plan to meet the war expenditure, dispose of the indemnity received from China and provide a budget system for Formosa:

(a) As the indemnity was collected from China in yearly instalments, it seemed wise to appropriate the money for use in a continuation plan embracing a certain number of years. Thus the indemnity was appropriated for the redemption of war debts, army and navy expansion, the establishment of an iron foundry, a reserve fund for emergencies and a subsidy to the Bank of Agriculture and Industry.

(b) The annual budget for Formosa was to be separated from the general accounts of the central government and a plan worked out relative to annual revenue and expenditure which should be instituted to enable Formosa gradually to establish a system of self-government.

3. Plan to extend facilities for transportation, communication and finance:

(a) Bonds were to be issued to meet the expense of improvement and extension of railways and telephones.

(b) The service capacity of the Bank of Japan and the Yokohama Specie Bank were to be enlarged and in addition a hypothec bank and banks of agriculture and industry were to be established.

We shall now briefly consider the amount required and the resources available for the fund to carry out the proposed plans, including the extension of the means of national defense, the perfection of railway and telephone systems, the establishment of a new iron foundry, and especially the encouragement of navigation.

Table I at the end of this chapter¹ and the following tables will give a fair idea of the effects of the Sino-Japanese War upon our national finance as a whole.

Comparing the total amounts in Table I¹ with the total annual expenditure, we see that in ten years these amounts actually correspond (in average) to approximately 28.29 per cent of the total annual expenditure.

COMPARISON OF EXPENDITURES FOR POST-BELLUM ENTERPRISES WITH THE TOTAL ANNUAL EXPENDITURES

| Fiscal year | Total expenditure for principal post-bellum enterprises | Total annual expenditures | Percentage of post-bellum expenses to total annual expenditures |
|-------------|---|---------------------------|---|
| | <i>Yen</i> | <i>Yen</i> | <i>Per cent</i> |
| 1894..... | 2,827,463 | 78,128,643 | 3.62 |
| 1895..... | 5,279,892 | 85,317,179 | 6.19 |
| 1896..... | 29,303,746 | 168,856,509 | 17.35 |
| 1897..... | 85,048,595 | 223,678,844 | 38.02 |
| 1898..... | 94,813,702 | 219,757,569 | 43.14 |
| 1899..... | 112,062,975 | 254,165,528 | 44.09 |
| 1900..... | 118,639,050 | 292,750,059 | 40.53 |
| 1901..... | 98,278,837 | 266,856,824 | 36.83 |
| 1902..... | 75,965,524 | 289,226,731 | 26.27 |
| 1903..... | 67,137,005 | 249,596,131 | 26.90 |
| Total..... | 689,356,789 | 2,128,334,017 | 28.29 ^a |

^a Average.

In order to secure this large amount, the government, as stated before, adopted the measures of increasing taxes, issuing bonds and transferring the war indemnity. The following table will show the most important items of revenue:²

¹ *Post*, p. 141.

² The figures for the revenue from newly established taxes were taken from the actual receipts and the figures for the old taxes whose rates were raised were taken from the estimate of the expected increase.

The revenue from the bond issues means the revenue from the bonds issued for the railways, the industries, the Hokkaido railways, and the Formosan enterprises.

REVENUE FOR POST-BELLUM ENTERPRISES

| Fiscal year | Revenue from increase of taxes | Transfer of indemnity fund | Issue of bonds | Total |
|-------------|--------------------------------------|----------------------------------|-------------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896..... | 15,708,589 | 11,789,389 | 2,796,600 | 30,294,578 |
| 1897..... | 29,701,472 | 40,360,796 | 36,389,874 | 106,452,142 |
| 1898..... | 35,617,100 | 46,187,071 | 35,352,806 | 117,156,977 |
| 1899..... | 63,810,962 | 32,636,905 | 35,166,404 | 131,614,271 |
| 1900..... | 85,710,491 | 31,240,140 | 38,139,599 | 155,090,230 |
| 1901..... | 90,404,052 | 20,883,427 | 31,721,764 | 143,009,243 |
| 1902..... | 95,621,115 | 13,866,937 | 12,741,033 | 122,229,085 |
| 1903..... | 100,073,693 | 9,514,215 | 6,881,256 | 116,469,164 |
| Total . . . | 516,647,474 | 206,478,880 | 199,189,336 | 922,315,690 |

With the expansion of the general national finance owing to the aforesaid causes, the expenditure of the local governments naturally increased in proportion. Table II at the end of this chapter¹ was taken from the report of the investigation of the Home Department to show the actual condition as to expansion of revenue and expenditure of local communities.

The cause of this increase in expenditure was largely due to the increase required for construction work, encouragement of industry and educational enterprises, because of the policy adopted by local communities to develop the national resources and industries in accordance with the post-bellum plans of expansion. According to the Japanese system of government, the local communities (prefecture, city, borough, township, village) have been invested with complete power as legal persons, and the officials in these local communities, besides performing their duties to the communities, are called upon for the additional service of managing the various local enterprises entrusted to them by the central government and of supervising the expenditure therefor. With a change in the status of the nation the duties of these local officials were correspondingly increased, and hence the increase in local expenditure. Thus, since the expansion of the finance of local governments inevitably keeps pace with the advance-

¹ *Post*, p. 142.

ment of a nation, it was natural that with the national expansion along various lines after the Sino-Japanese War, an increase in local expenditure should take place also.

In short, after the Sino-Japanese War, Japan spent enormous amounts for central and local administration in view of the post-bellum enterprises, that is, for expansion of means of defense, development of resources and industries, and for improvement of education. The pressure of this increase of expenditure upon the people was certainly crushing. This together with the changes caused by the war upon economics in general produced serious effects upon the economic world, which lasted throughout the entire period in which the post-bellum enterprises were being prosecuted, as we state more fully later. But, on the other hand, our fellow countrymen, moved by the new self-realization following the war, and by the feeling of uncertainty concerning the national existence due to the insult inflicted upon us by the interference of the triple European Powers, rose to the occasion, and sturdily resisted the paralyzing pressure of circumstances. We have successfully prosecuted the post-bellum enterprises started by the government, mastered all difficulties by developing the power of resistance, and finally raised the nation's prestige so high that within the short period of ten years or so Japan has risen to be a mighty power in her recently enlarged sphere in the Far East. This fact should be remembered in discussing the financial expansion of the nation. This indomitable spirit asserted itself more and more, so that Japan did not retrograde in any direction. This is the reason why we have peace in the Orient, a fact which should be recorded as in the nature of a miracle.

STATE FINANCE

We have briefly reviewed the effects of the Sino-Japanese War upon the national finance in general. To sum up, the expenditure in the first year after the war, 1896, was twice as large as that for the year before the war, 1893, and three years after, in 1899, it was three times as large. This tendency

to increase continued steadily until the year 1903 just before the Russo-Japanese War. Such was the history of the expenditure. As for the revenue, in 1897 it was twice as large as in 1893, and the tendency to increase continued. In 1893 the revenue was 113,769,380.54 *yen* and the expenditure 84,581,871.56 *yen*; that is, there was an excess of 29,187,508.97 *yen* of revenue over expenditure, so that the rate of expansion of the revenue in later years was not so extraordinary as that of the expenditure. Table III at the end of this chapter¹ was compiled to show these facts.

The direct effects of the Sino-Japanese War upon our finance were felt in securing special administration funds for the war and in connection with the war (hereafter called war expenses). The total amount of these expenses was approximately 236 million *yen*. The greater part of this amount was secured through the issue of war bonds and the transfer of the war indemnity, so that it did not have any very serious effect upon the ordinary revenue of the nation, as we have stated before.² Consequently the burden of the war expenses which had to be borne afterward was confined to the redemption of the war bonds and the payment of interest on them. We shall later explain this point in detail.

Thus it will be seen that the greatest effects of the Sino-Japanese War upon our finance were in connection with post-bellum enterprises. Of those undertaken since 1896, the chief, as stated before, were the enlargement of the army and navy, the establishment of an iron foundry, the building and improvement of railways, the extension of the telephone system, the extension of educational work, the establishment of the Hypothec Bank, the Banks of Agriculture and Industry and the Bank of Formosa, enterprises in Formosa, undertakings in agriculture, industry and commerce and the adjustment of water courses. All these enterprises had for their object the perfecting of the means of national defense and the developing of the wealth of the nation. We shall here briefly describe the plans for these post-bellum enterprises.

¹ *Post*, p. 143.

² Pt. I, Chap. III.

(I) According to the documents introduced in the Diet, together with the budget in 1896, the post-bellum enterprises were planned to be completed in ten years, from 1896 to 1905, with the amount of expenditure estimated at about 587 million *yen*; the tax system was readjusted, a part of the war indemnity was to be transferred to the fund and bonds were to be issued to meet the remainder. The following is the total expenditure for the ten years.

TOTAL EXPENDITURE FOR PERIOD 1896-1905

| | <i>Yen</i> | <i>Yen</i> |
|--|-------------|-------------------|
| Expansion of means of defense: | | |
| Army..... | 205,802,866 | |
| Navy..... | 145,572,264 | |
| | <hr/> | 351,375,130 |
| Extension of enterprises: | | |
| Iron foundry..... | 4,095,793 | |
| Railway to be built between Sorachita and Asahigawa..... | 1,178,330 | |
| Improvement of existing government railway lines..... | 26,553,000 | |
| Extension of telephone exchange system..... | 12,802,102 | |
| First year's interest on telephone and railway bonds..... | 1,278,080 | |
| Establishment of bureaus to handle leaf tobacco and capital..... | 12,213,550 | |
| | <hr/> | 58,120,855 |
| Expansion of administrative expenditure: | | |
| Principal and interest payments on loans..... | 110,401,056 | |
| Annual salaries of soldiers, rewards and pensions..... | 112,940,810 | |
| Expense of collecting increased taxes..... | 12,653,833 | |
| Expenses of soldiers stationed in Weihaiwei and various Formosan expenses..... | 27,500,000 | |
| Subsidies to banks..... | 13,750,000 | |
| Expenses of printing and issuing bonds..... | 598,520 | |
| | <hr/> | 277,844,219 |
| Total..... | | <hr/> 687,340,204 |

The complete ten-year plan for revenue to meet the foregoing items of expenditure is as follows:

TEN-YEAR REVENUE PLAN, 1896-1905

| | <i>Yen</i> |
|---|-------------|
| Natural increase of annual revenue..... | 147,698,971 |
| Increased taxes and adjustment of tax system..... | 246,543,081 |
| Fund to pay off the expenses of guards at Weihaiwei..... | 5,250,000 |
| War indemnity..... | 40,093,387 |
| Bonds..... | 133,648,889 |
| Profits from bonds for railway and telephone enterprises..... | 11,680,414 |
| | <hr/> |
| Total..... | 584,914,742 |

(2) The plans for post-bellum enterprises did not end with those mentioned in the foregoing paragraphs. Both the number of enterprises and the amount of appropriation asked for were increased. In the enlarged scheme the principal items were means of defense, construction of railways and establishment of an iron foundry. The change in the plan relating to expenditure necessitated a change in the plan for securing revenue. The taxes were increased again, the amount transferred from the war indemnity was also increased and the bond issue enlarged, thereby maintaining the balance between expenditure and revenue. This point will be explained in detail later.

There is one more point to be noted here, and that is regarding the revenue from the indemnity of the Sino-Japanese War. The total amount of the indemnity and other special funds was 368,248,691 *yen*. The war indemnity and other revenues were handled as a "Special Account Fund" in accordance with our accounting regulations. These separate amounts are shown as follows:

| | <i>Yen</i> | <i>Yen</i> |
|--|-------------|-----------------|
| Indemnity for war expenses | 311,072,865 | |
| Indemnity for return of Liaotung Peninsula | 44,907,499 | |
| Interest on indemnity employed profitably | 8,888,224 | |
| | <hr/> | 364,868,588 |
| Fund to pay back expense of maintaining guards at Weihaiwei | | <hr/> 3,380,103 |
| Total | | 368,248,691 |

The indemnity as analyzed in the foregoing paragraph was an adequate source of revenue for conducting post-bellum enterprises and replenishing the war fund. The total amount actually transferred for the support of post-bellum enterprises was 278,690,217 *yen*. The details are as follows:

| | <i>Yen</i> | <i>Yen</i> |
|---|-----------------|-------------------|
| Repayment of Sino-Japanese War expenses | | 78,957,165 |
| Transferred to fund for various post-bellum enterprises: | <i>Yen</i> | |
| Army expansion | 56,781,709 | |
| Navy expansion | 139,157,096 | |
| Establishment of iron foundry | 579,762 | |
| Fund for special war expenses, transportation, communication, 1897 | <hr/> 3,214,485 | |
| Total | | <hr/> 199,733,052 |
| | | 278,690,217 |

The foregoing amounts were drawn from the 364,868,587 of indemnity. The fund to pay back the expense of maintaining guards at Weihaiwei was from the beginning transferred from the general account. Of the indemnity received, 20 million *yen* was transferred to a fund for the use of the Imperial family, 50 million *yen* to three funds, viz., one for replenishing warships and torpedo boats, another for emergencies due to natural disasters and the third for educational purposes, while 12 million *yen* was transferred to the General Account in 1898.

The greater part of the indemnity and the special revenues was used for the war and for various other expenses connected with the war. The indemnity has had a considerable effect upon our national finance. We shall discuss it in detail later.

Expansion of means of defense

The government recognized, after the war with China, that the then existing army and navy were inadequate, in view of the condition of the country at that period, and formulated a plan of expansion which was put into execution from 1895.

For the first period of expansion, the army asked for an appropriation of 43,320,000 *yen* as a fund for a continuation plan to extend over four years, from 1895 until 1899, and the navy asked for 94,770,000 *yen* as a fund for a similar plan covering the seven years from 1895 until 1903. The general outline of these plans of expansion was for the army to establish additional divisions and to construct fortresses, etc., and for the navy to increase its strength by means of new warships and torpedoes. Up to that period our military strength was seven divisions for standing service, with about 50,000 men in time of peace and 200,000 in time of war. According to the new plan six new divisions were to be added, so that in peace the number of men would be 150,000 and in war about 600,000. And the navy which had up to that period 50,000 tons of warships, was to be increased to 200,000 tons or more. The new plans of expansion were severely criticised by the people.

There was much opposition in the national Diet. But the nation generally recognized the need of expansion of the means of defense, and the plans were at length carried out.

But in the first period of expansion, the army counted only the cost of erecting fortresses, building barracks, securing the first supply of arms and implements for use in camp and other immediately necessary expenses for the standing army. The arrangements necessary for war preparedness had not yet been perfected. The navy counted only the cost of the number of warships and torpedoes which were immediately needed, and in order to perfect the original plan still larger appropriations had to be asked for. Thorough investigation was therefore made as to the unfinished work after that, and, as a result, additional appropriations were asked for in the budget for 1897.

The estimate of expenses for the second period of expansion was 38,350,000 *yen* for the army as a fund for the continuation plan from 1897 to 1903; and 118,320,000 *yen* for the navy for a similar plan from 1897 to 1905; totaling 156,670,000 *yen* for both army and navy. These demands of the army and navy were secured through the approval of the Diet.

In 1899 the third period of expansion was entered upon in accordance with the plans described in the foregoing paragraphs. The establishment of the seven army divisions was perfected and fortresses were improved or newly made in the islands of Formosa and Pescadores. For all of these 18,040,000 *yen* was requested, as a fund for a continuation plan extending from 1899 to 1906.

Besides the foregoing, in the same year, the appropriation for army expansion had to be increased owing to the rise in prices, so that an additional 5,210,000 *yen* was appropriated as a fund for repairs, for securing implements and for the miscellaneous expenses of the construction bureau, while the naval expansion fund was reduced by 1,450,000 *yen* after providing for construction of the fortresses already decided upon, owing to a difference in the exchange rates of 3,350,000 *yen*.

Thus the plans for expansion of the army and navy were commenced in 1896 and after going through the first and the second period of expansion were nearly completed when in 1899 the plans for the establishment of the seventh division, and construction of the fortresses in Tsushima, Kielung and Pescadores Island, were carried out, so that great financial problems of the past four years were solved for the time being.

Just how great was the expenditure for defense after these great plans for expansion had been laid, is shown in the following tables:

EXPENDITURES FOR DEFENSE, 1893-1903

Army

| Fiscal year | Ordinary | Extraordinary | Total |
|-------------|-------------|---------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1893 | 12,419,829 | 2,301,397 | 14,721,226 |
| 1894 | 7,828,074 | 2,580,862 | 10,408,936 |
| 1895 | 8,410,212 | 1,605,723 | 10,015,935 |
| 1896 | 22,613,590 | 30,628,934 | 53,242,524 |
| 1897 | 28,746,263 | 31,401,725 | 60,147,988 |
| 1898 | 32,562,072 | 21,335,581 | 53,897,653 |
| 1899 | 35,577,310 | 16,973,888 | 52,551,198 |
| 1900 | 36,123,892 | 38,714,309 | 74,838,201 |
| 1901 | 37,433,911 | 20,947,869 | 58,381,780 |
| 1902 | 39,169,669 | 10,272,390 | 49,442,059 |
| 1903 | 39,355,388 | 7,529,174 | 46,884,562 |
| Total | 300,240,210 | 184,291,852 | 484,532,062 |

Navy

| Fiscal year | Ordinary | Extraordinary | Total |
|-------------|-------------|---------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1893 | 5,141,475 | 2,959,446 | 8,100,921 |
| 1894 | 4,573,605 | 5,679,549 | 10,253,154 |
| 1895 | 4,913,244 | 8,607,025 | 13,520,269 |
| 1896 | 7,351,330 | 12,654,428 | 20,005,758 |
| 1897 | 9,543,889 | 40,850,645 | 50,394,534 |
| 1898 | 11,191,475 | 47,338,427 | 58,529,902 |
| 1899 | 14,577,114 | 47,084,496 | 61,661,610 |
| 1900 | 16,911,000 | 41,363,895 | 58,274,895 |
| 1901 | 19,484,953 | 24,494,375 | 43,979,328 |
| 1902 | 21,063,345 | 15,262,843 | 36,326,188 |
| 1903 | 21,530,237 | 14,587,620 | 36,117,857 |
| Total | 136,281,667 | 260,882,749 | 397,164,416 |

From this table it will be seen that after 1896 both the ordinary and the extraordinary expenditures suddenly increased. The amount of increase required by the plan of expansion of the means of defense may be seen from the following, abstracted from the figures in the foregoing table:¹

INCREASED EXPENDITURES FOR ARMY AND NAVY, DUE TO PLAN OF EXPANSION, 1896-1903

| Fiscal year | Army | | | Navy | Total for Army and Navy |
|-------------|------------|---------------|-------------|---------------|-------------------------|
| | Ordinary | Extraordinary | Total | Extraordinary | |
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896 . . . | 4,548,454 | 8,437,262 | 12,985,716 | 4,043,288 | 17,029,004 |
| 1897 . . . | 4,981,063 | 21,914,002 | 26,895,065 | 32,487,404 | 59,382,469 |
| 1898 . . . | 8,675,720 | 14,847,021 | 23,522,741 | 44,554,683 | 68,077,424 |
| 1899 . . . | 12,423,570 | 14,055,883 | 26,479,453 | 45,369,046 | 71,848,499 |
| 1900 . . . | 13,171,994 | 19,202,826 | 32,374,820 | 33,238,685 | 65,613,505 |
| 1901 . . . | 13,145,759 | 11,669,525 | 24,815,284 | 21,147,756 | 45,963,040 |
| 1902 . . . | 13,149,013 | 6,192,555 | 19,341,568 | 12,568,445 | 31,910,013 |
| 1903 . . . | 13,423,344 | 4,628,109 | 18,051,453 | 9,552,430 | 27,603,883 |
| Total . | 83,518,917 | 100,947,183 | 184,466,100 | 202,961,737 | 387,427,837 |

We have briefly explained the tendency to an increase in both ordinary and extraordinary expenses in accordance with the plan of expansion of the army and the navy. We must now proceed to explain in detail the extraordinary expenditure which is the main thing in the plan of expansion of the means of defense. As we have before stated, this plan was carried out gradually, having been incorporated in the budget of 1896 as the first period, in 1897 as the second, and in 1899 as the third, thereby gradually perfecting the work of national defense as a part of the post-bellum program. The following is a table of the amounts required by this expansion plan:

¹ The ordinary expenditure for the army includes the expenses of the seventh, eighth, ninth, tenth, eleventh and twelfth divisions, the expenses of the guards in Formosa and other miscellaneous expenses, the expenses of the guards in Korea and the expenses of the guards at Weihaiwei. Of these, the last two items have no relation to the plan of expansion of defenses. But as they are the result of the war, they are included in the figures here given. As for the ordinary expenditure for the navy, as it is difficult to single out the expenses due to the plan of expansion, they are not given here separately.

BUDGET OF EXTRAORDINARY EXPENSES DUE TO EXPANSION PLAN

| | First period, 1896 on | Second period, 1897 on | Third period, 1899 on | Additional appropriation, 1899 | Total |
|--|--------------------------|---------------------------|--------------------------|-----------------------------------|--------------------------|
| Army: | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Construction of fortresses. | 14,071,894 | 6,460,520 | 9,829,134 | .... | 27,010,197 ^a |
| Repairs and initial purchase of arms..... | 17,334,891 | 19,363,747 | 8,220,583 | 5,208,478 | 50,127,699 |
| Manufacture of arms..... | 8,486,767 | 9,854,538 | .... | .... | 18,341,305 |
| Expansion of plant in arsenal..... | 2,949,108 | .... | .... | .... | 2,949,108 |
| Expenses of Army Construction Section..... | 479,576 | 3,542 | .... | .... | 483,118 |
| Deficit..... | .... | 2,679,790 | .... | .... | 2,679,790 |
| Total..... | 43,322,236 | 38,362,137 | 18,049,717 | 5,208,478 | 101,591,217 ^b |
| Navy: | | | | | |
| Ship construction..... | 47,154,576 | 78,893,399 | .... | .... | 125,169,547 ^c |
| Manufacture of arms..... | 33,751,163 | 33,176,330 | .... | .... | 66,355,072 ^d |
| Construction expenses..... | 13,870,507 | 6,254,990 | .... | .... | 20,125,497 |
| Total..... | 94,776,246 | 118,324,719 | .... | .... | 211,650,116 ^b |
| Grand Total..... | 138,098,482 | 156,686,855 | 18,049,717 | 5,208,478 | 313,241,333 ^b |

^a The difference in exchange rate, 3,351,351 *yen*, has been deducted.

^b The difference in exchange rate has been deducted.

^c The difference in exchange rate, 572,421 *yen*, has been deducted.

^d The difference in exchange rate, 878,428 *yen*, has been deducted.

The results of the execution of the foregoing budget may be seen in the following table:

EXTRAORDINARY EXPANSION EXPENSES

Army

| Fiscal year | Construction of fortresses | Repairs and initial purchase of arms | Manufacture of arms | Additional | Total |
|-------------|----------------------------|--------------------------------------|---------------------|------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896..... | 1,291,730 | 5,739,279 | 934,061 | 472,192 | 8,437,262 |
| 1897..... | 3,157,624 | 12,601,558 | 2,639,205 | 3,515,615 | 21,914,002 |
| 1898..... | 2,970,401 | 7,404,500 | 2,492,243 | 1,979,877 | 14,847,021 |
| 1899..... | 3,465,359 | 6,928,578 | 3,541,755 | 120,192 | 14,055,884 |
| 1900..... | 5,616,912 | 9,309,375 | 4,216,945 | 59,594 | 19,202,826 |
| 1901..... | 4,433,293 | 4,482,973 | 2,706,436 | 46,823 | 11,669,525 |
| 1902..... | 1,591,202 | 2,756,393 | 1,810,659 | 44,301 | 6,202,555 |
| 1903..... | 2,919,341 | 1,697,811 | .... | 10,957 | 4,628,109 |
| Total. | 25,445,862 | 50,920,467 | 18,341,304 | 6,249,551 | 100,957,184 |

Navy

| Fiscal year | Construction of ships | Manufacture of arms | Construction of buildings | Total |
|-------------|-----------------------|---------------------|---------------------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896..... | 3,099,482 | 799,209 | 144,596 | 4,043,287 |
| 1897..... | 23,913,987 | 7,218,321 | 1,355,096 | 32,487,404 |
| 1898..... | 30,298,987 | 12,440,942 | 1,814,753 | 44,554,682 |
| 1899..... | 26,233,569 | 16,859,198 | 2,276,279 | 45,369,046 |
| 1900..... | 17,565,610 | 12,498,883 | 3,174,192 | 33,238,685 |
| 1901..... | 9,523,391 | 7,382,769 | 4,241,596 | 21,147,756 |
| 1902..... | 5,964,095 | 3,829,959 | 2,774,391 | 12,568,445 |
| 1903..... | 4,826,199 | 2,592,492 | 2,134,739 | 9,553,430 |
| Total... | 121,425,320 | 63,621,773 | 17,915,642 | 202,962,735 |

Increase of administrative expenses

Not only did the administrative expenses of various kinds increase on account of the plans for the post-bellum enterprises after the Sino-Japanese War but by reason of the general national advancement, which added to the increase in administrative expenses. The following table shows the expense of the public debts, the expenditure for defense and the general administrative expenses separately:

EXPENDITURES ON ACCOUNT OF PUBLIC DEBTS, DEFENSE, AND ADMINISTRATION

| Fiscal year | Public Debts | Defenses | General Administration | Total |
|-------------|--------------|-------------|------------------------|---------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1893..... | 19,455,918 | 22,905,993 | 43,457,517 | 85,819,428 |
| 1894..... | 19,721,143 | 20,764,267 | 40,304,766 | 80,790,176 |
| 1895..... | 24,190,858 | 23,671,985 | 39,580,507 | 87,443,350 |
| 1896..... | 30,504,172 | 73,416,902 | 68,479,552 | 172,400,626 |
| 1897..... | 29,504,731 | 110,666,757 | 91,459,859 | 231,631,347 |
| 1898..... | 28,379,828 | 112,634,626 | 85,990,576 | 227,005,030 |
| 1899..... | 34,278,956 | 114,307,693 | 105,578,889 | 254,165,538 |
| 1900..... | 34,841,135 | 133,173,581 | 124,735,343 | 292,750,059 |
| 1901..... | 38,085,910 | 102,248,927 | 126,521,988 | 266,856,825 |
| 1902..... | 76,075,690 | 85,863,957 | 127,287,083 | 289,226,730 |
| 1903..... | 36,484,520 | 83,218,026 | 129,893,585 | 249,596,131 |
| Total... | 371,522,861 | 882,872,714 | 983,289,665 | 2,237,685,240 |

The following table shows the foregoing different items of expense in their respective ratios, and how large was the ratio of the general administrative expense.

RATIO OF PUBLIC DEBT, DEFENSE AND ADMINISTRATIVE EXPENDITURES

| Fiscal year | Public debts | Defenses | General Administration |
|-------------|-----------------|-----------------|------------------------|
| | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> |
| 1893..... | 22.7 | 26.7 | 50.6 |
| 1894..... | 24.4 | 25.7 | 29.9 |
| 1895..... | 27.7 | 27.1 | 45.3 |
| 1896..... | 17.7 | 42.6 | 39.7 |
| 1897..... | 12.7 | 47.8 | 39.5 |
| 1898..... | 12.5 | 49.6 | 37.9 |
| 1899..... | 13.5 | 45.0 | 41.5 |
| 1900..... | 11.9 | 45.5 | 42.6 |
| 1901..... | 14.3 | 38.3 | 47.4 |
| 1902..... | 26.3 | 29.7 | 44.0 |
| 1903..... | 14.6 | 33.3 | 52.0 |

It will be seen from Table IV at the end of this chapter¹ that the various national expenses have increased enormously since 1896. We must here briefly survey the various post-bellum enterprises which were the cause of the increase in the general administrative expenses. Of these, the following may be especially mentioned: (1) establishment of an iron foundry and extension of the same; (2) construction and improvement of railways; (3) extension of telephone exchanges; (4) subsidies to various special banks; (5) subsidies for the encouragement of navigation; (6) sundry expenses incurred for Formosa, etc. These will be explained in the order above enumerated.

ESTABLISHMENT AND EXTENSION OF IRON FOUNDRY

The establishment of an iron foundry was the most important of the post-bellum enterprises, because the demand for iron manufactures increased enormously every year. Then in connection with the plan to extend the means for national defense it was plain that, as iron was the principal material used in building warships and manufacturing arms, in case of emergency the supplies must be obtainable at home. Thus the iron foundry came to be established. As to the expense of its establishment, 4,095,793 *yen* were asked for in the national budget in 1896, and later, in 1898, 6,474,056 *yen* more were

¹ *Post*, p. 144.

added, so that the entire expense amounted to 10,569,849 *yen*.

The work of establishing the iron foundry gradually progressed, and in 1899 experiments in manufacturing from iron were being made, so that there was urgent need of securing a fixed sum as operating capital in order to commence work. The enterprise of the iron foundry is a great industry with far-reaching effects. The necessary supplies of ore, coal, cement and other materials can not be secured in sufficient amount from a few private mining concerns. Then, again, considered from the economic point of view, as it is more advantageous for an iron foundry to own its own mines, it appeared necessary to secure a fund for purchasing mines from which to obtain raw material. To hasten the work of constructing the harbor at Wakamatsu to secure transportation conveniences, suitable subsidies must be given to the Wakamatsu Harbor Construction Company. In order to secure perfect results from the work of the iron foundry, the appropriation for expenses must be reasonably increased. So, in 1899, 8,632,845 *yen*¹ were added, the total amount finally reaching 19,202,694 *yen*.

To meet this expense, 579,762 *yen* were raised from indemnity and 18,622,932 *yen* from bonds. The result of the plan is seen in the following table:

| Fiscal year | Establishment of iron foundry | Supplementary appropriation | Investigation | Total |
|-------------|-------------------------------|-----------------------------|---------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896..... | 157,529 | .... | .... | 157,529 |
| 1897..... | 709,224 | .... | .... | 709,224 |
| 1898..... | 1,747,572 | .... | .... | 1,747,572 |
| 1899..... | 3,011,008 | .... | .... | 3,011,008 |
| 1900..... | 7,126,198 | .... | .... | 7,126,198 |
| 1901..... | 5,853,335 | 322,762 | .... | 6,176,097 |
| 1902..... | 490,117 | 495,429 | 17,942 | 1,003,488 |
| 1903..... | 820,011 | 20,454 | .... | 840,465 |
| Total.... | 19,914,994 | 838,645 | 17,942 | 20,771,581 |

¹ 500,000 *yen* were for harbor construction at Wakamatsu, and 4,000,000 *yen* a reserve to be used as operating capital.

CONSTRUCTION AND IMPROVEMENT OF RAILWAYS¹

The new railway system was inaugurated by the Railway Construction Act promulgated June 20, 1892. The continuation plan adopted was to include a period of sixteen years, beginning with 1893. At the time of the Sino-Japanese War the total amount of the expense of railway construction as required by this continuation plan reached 59,921,663 *yen*. Thus the work of railway construction steadily progressed and the railway lines were extended. But, at the same time, the business of transportation increased year by year, and the demand for service on the already constructed lines increased more and more, so that the existing lines and the number of cars in use were not sufficient to meet the demand. Moreover, under abnormal conditions, service had to be refused to the general public, as for instance, in time of war. So the government, as the first step in advance, changed the whole of the Tokaido Government Railway from a single to a double-track line. Necessary improvements were added to the stations on this, and also on the Shin-Yetsu line, the number of cars was increased, and it was generally planned to give entire satisfaction to both passengers and shippers in the way of transportation facilities. This scheme was established as a continuation plan to be worked between 1896 and 1902, beginning in 1896. The entire expense for improvement was estimated at 26,553,000 *yen*.

The work of railway construction steadily progressed in accordance with the plan outlined in the foregoing paragraph. In 1897 there was need of an increase in the fund for construction expenses between Tsuruga and Toyama, and between Hachioji and Nagoya. Thus, in that year 8,103,381 *yen* were added, and in 1899 the fund for construction expenses between Tsuruga and Toyama and between Sinonoi and Shiojiri was increased by 5,133,281 *yen*, bringing the total amount up to 73,158,325 *yen*. Then, in 1900, 19,529,886 *yen* were added in connection with the construction of the line between Fuku-

¹ See Table V at the end of this chapter, *post*, p. 145.

shima and Aomori, and also 2,156,248 *yen* as construction expense for the line between Kaidaichi and Kure, so that at the end of 1900 the cost of constructing railways during the first period had reached 94,844,459 *yen*, and the additions made to the first estimates for construction after the war amounted to 61,475,796 *yen*.

Besides the foregoing, in 1897 a plan for railway construction in Hokkaido was formulated, involving an expenditure of 18,562,050 *yen* and another in 1900 for Formosa with an expenditure of 28,800,000 *yen*. We shall explain this plan later. The totals in Table V at the end of this chapter¹ show the actual results of this improvement and construction work all over the country. The funds for these railway undertakings were mostly secured by the issue of bonds. To be more specific, as shown in the table, about 77 per cent of the fund was obtained from bond issues and the rest was from the ordinary annual revenue.

EXTENSION OF TELEPHONE EXCHANGES

Since the telephone exchange service was commenced between Tokyo and Yokohama in 1890, and between Osaka and Kobe in 1892, the applications for telephone installation have increased year by year, so that even the present development of the system is not equal to the demand. As there were many other cities besides the four mentioned above which demanded service, after the war the government planned to establish a telephone system in Kyoto and the thirty-five other cities which needed it most urgently; then the single-line system already established was changed to a double-line system. Other extensions were planned. In 1896 the so-called continuation plan was instituted to be carried out between 1896 and 1902 with the sum of 12,802,107 *yen* appropriated for the entire cost of the extension. Furthermore, in order to increase the telegraphic lines the government executed a continuation plan between 1897 and 1898 with a budgetary estimate of 705,338.90 *yen*.

¹ *Post*, p. 145.

The following table shows the annual disbursement for telephone exchange extension, the actual result of the extension, and the sources from which the fund was derived:

DISBURSEMENTS AND REVENUE FOR TELEPHONE EXCHANGE EXTENSION

| Fiscal year | Cost | Sources of ordinary annual revenue | Bonds issued | Total revenue |
|-------------|------------|------------------------------------|--------------|---------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896..... | 594,196 | .... | 594,196 | 594,196 |
| 1897..... | 2,473,420 | .... | 2,473,420 | 2,473,420 |
| 1898..... | 1,896,119 | .... | 1,896,119 | 1,896,119 |
| 1899..... | 1,781,655 | .... | 1,781,655 | 1,781,655 |
| 1900..... | 2,349,786 | .... | 2,349,786 | 2,349,786 |
| 1901..... | 1,807,587 | .... | 1,807,587 | 1,807,587 |
| 1902..... | 1,615,532 | 437,875 | 1,177,657 | 1,615,532 |
| 1903..... | 268,556 | 72,790 | 195,766 | 268,556 |
| Total.... | 12,786,851 | 510,665 | 12,276,186 | 12,786,851 |

SUBSIDIES TO VARIOUS SPECIAL BANKS

Another method adopted to improve financial facilities after the Sino-Japanese War was the granting of subsidies to various banks, as tabulated below.

| Fiscal year | Hypothec Bank | Agricultural and Industrial Bank | Hokkaido Colonial Bank | Formosa Colonial Bank | Industrial Bank of Japan | Total |
|-------------|---------------|----------------------------------|------------------------|-----------------------|--------------------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1897.... | 55,052 | 991,625 | .... | .... | .... | 1,046,677 |
| 1898.... | 30,010 | 1,983,355 | .... | .... | .... | 2,013,365 |
| 1899.... | 30,873 | 1,990,008 | 250,000 | 250,000 | .... | 2,520,881 |
| 1900.... | .... | 1,996,010 | 250,000 | .... | .... | 2,246,010 |
| 1901.... | .... | 940,224 | 200,000 | .... | .... | 1,140,224 |
| 1902.... | .... | 213,901 | 200,000 | 250,000 | 64,541 | 728,442 |
| 1903.... | .... | 5,000 | .... | .... | .... | 5,000 |
| Total | 115,935 | 8,120,123 | 900,000 | 500,000 | 64,541 | 9,700,599 |

ENCOURAGEMENT OF NAVIGATION

Special encouragement to navigation was early planned in accordance with the proclamation issued in September, 1886. The government thereupon subsidized the Nippon Yusen Kaisha to the extent of 880,000 *yen* annually, thus enabling

that company to institute regular service between Yokohama and Shanghai, Kobe and Tientsin, Kobe and Neuchang, Kobe and Vladivostok, between various other points in Japan proper and Hokkaido and various points along the line. But the period of effectiveness of the proclamation expired in September, 1900, and it then became necessary to establish a policy to govern the regular service in the future. Previous to that, in 1896, with the object of encouraging navigation, the government had promulgated a law according to which subsidiary grants would be made to ships which should subscribe to certain requirements. The highest amount designated for this purpose was one million *yen* annually, but the actual result of the operation of this law was such an increase in ships that in 1897 no less sum than 1,700,000 *yen* was required for this purpose, while in 1898 the amount needed for subsidies and extension of steamship routes ran above five million *yen*. Now after the term of subsidy to the Nippon Yusen Kaisha had expired, it was found that if the general law were to be applied to the company in the future as it had been in the past the expense would be increased enormously. So discussion centered about the point whether the general regulations should be applied to the leading regular service routes, or new special regulations should be established. The government decided upon the latter course, and introduced into the Diet a bill which was later approved empowering the government to sign a contract for an annual subsidy of 580,000 *yen* for five years, from October, 1900, to September, 1905, for the chief regular connecting lines of communication between Japan and Russia, and China and Korea (the Yokohama-Shanghai, the Kobe-Korea, the Kobe-North China, Kobe-Korea-North China, and the Kobe-Vladivostok routes) and between Japan proper and Hokkaido (the Kobe-Otaru and the Aomori-Muroran routes). In addition, the government decided to subsidize the regular service along the coasts of Hokkaido (between Hakodate and Nemuro, between Otaru and Wakanai, between Nemuro and Abashiri, and between Nemuro and Etorofu) from October,

1900, to September, 1905. To the Yangtze-Kiang, the Shanghai-Soochow, and the Shanghai-Hankow steamship lines, a certain amount of subsidy was to be given every year to enable them to maintain regular service. At the same time, with a view to restricting the expenditure of the fund, the government decided to subsidize only the regular service of three steamship lines, European, Seattle, and San Francisco, for ten years, i.e., from 1900 to 1909, to the extent of 2,673,894 *yen* for the European, 654,030 *yen* for the Seattle, and 1,013,880 *yen* for the San Francisco service. The government then revised the regulations so that after January, 1899, the amount of subsidy granted to ships constructed in foreign countries would be cut in half and the period of assistance limited to 18 years, from October 1, 1896.

In addition, the government promulgated regulations for the encouragement of shipbuilding, by which ships built according to a prescribed set of regulations might receive grants, as an aid to the development of navigation.

The several budgets required to carry out the foregoing plans are shown in the following table:

SHIP SUBSIDIES

| Fiscal year | Extension of steamer routes | Encouragement of navigation | Encouragement of shipbuilding | Total |
|-------------|-----------------------------|-----------------------------|-------------------------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896..... | 134,775 | 880,000 | .... | 1,014,775 |
| 1897..... | 538,702 | 708,384 | 13,109 | 1,260,195 |
| 1898..... | 671,321 | 2,580,802 | 213,875 | 3,465,998 |
| 1899..... | 896,898 | 3,957,315 | 187,380 | 5,041,593 |
| 1900..... | 4,205,729 | 1,188,762 | 152,930 | 5,547,421 |
| 1901..... | 5,554,440 | 906,203 | 581,094 | 7,041,737 |
| 1902..... | 6,387,713 | 676,300 | 411,348 | 7,475,361 |
| 1903..... | 6,332,448 | 802,431 | 437,810 | 7,572,689 |
| Total.... | 24,722,026 | 11,700,197 | 1,997,546 | 38,419,769 |

SUNDRY EXPENDITURES IN CONNECTION WITH FORMOSA¹

Formosa came into our possession as a result of the Treaty of Shimonoseki. The various expenses incurred in connection

¹ Especially those in connection with special undertakings in Formosa and in Weihaiwei.

with the island increased considerably the annual expenditure.

The expenditure in connection with Weihaiwei was that made necessary by its military occupation to guarantee the fulfilment of the Treaty of Shimonoseki. It was the sum in excess of the amount paid by the Chinese Government for the guards' service there. Article VIII of said treaty recognized the right of our army to occupy Weihaiwei as such guarantee. And in Article I of the supplementary treaty, China agreed to pay 400,000 *taels* as one-fourth of the expense of a temporary occupation of Weihaiwei by the Japanese Army. But as the terms of the treaty were perfectly fulfilled, and especially as the payment of the indemnity was completed May 7, 1898, this item of expense in connection with Weihaiwei became unnecessary. After that date, of the items of expense mentioned above, those for Formosa, according to the budget for 1896, were 18,489,811 *yen* in all, and these are explained in detail below. The same amount has been appropriated each year ever since.

| | <i>Yen</i> |
|-------------------------------------|------------|
| Civil administrative expense..... | 5,928,705 |
| Defense expense..... | 7,710,481 |
| Extraordinary Formosan expense..... | 4,850,625 |

But after 1897 the annual receipts and disbursements in Formosa were turned over to a special account, with a view to making Formosa self-supporting. A reform of the government of Formosa was planned. The number of officials there was reduced, some of the government offices were abolished and some amalgamated, the ordinary administrative expenses were economized, and at the same time, an increase in revenue from Formosa was definitely anticipated. Further, new local taxes were collected, thereby considerably assisting the finances of Formosa. Consequently, the relief fund in the Treasury for administrative expenses, which had amounted to six million *yen*, as we mentioned before, was reduced to three million *yen* in 1899. It was gradually reduced after that until in 1910 it ceased to exist. While therefore the ordinary administrative expenses of Formosa were economized so that

Formosa was being led on to self-support, at the same time necessary enterprises in the new possessions could not be neglected. So the government decided to carry out a continuation plan extending over seven years with a total appropriation of 35 million *yen* for financing various enterprises, such as (1) construction of railways, (2) investigation of land, (3) construction of harbors, and (4) building new offices for the government general. These will now be explained further.

(1) A north-and-south railway in Formosa was considered a necessity from the point of view of military and industrial development. The government at first granted a permit to a private concern. But as the work was not begun at once, and there was no prospect that the railway would ever be built in this way, it was necessary for the government to build the line itself.

(2) The land in Formosa had never up to this time been surveyed carefully, and land registry was in a complicated condition. Besides, as there were the two systems existing of large and small leases and other peculiar conditions attached to the land, it was a very difficult task to establish a good land system. Indeed such readjustment was impossible without a careful survey.

(3) The harbors and bays of Formosa, with one or two exceptions, could hardly be recognized as such, and even in the case of the exceptions, extensive work was needed to make them safe places for ships to anchor. Now after Formosa came into Japan's possession the number of ships coming and going between Japan proper and Formosa steadily increased. Not only so, but the Formosan trade gradually developed, so that it became a matter of urgent necessity to reconstruct the harbors and bays of the island in order to make them a safe anchorage for ships. The water works and government buildings also were of direct and indirect necessity in developing Formosa. The following table gives the amounts needed for these various undertakings:

| | <i>Yen</i> |
|--|------------|
| Formosan railway construction and improvements . . . | 28,800,000 |
| Kielung harbor improvement | 2,000,000 |
| Temporary land survey in Formosa | 3,000,000 |
| New buildings for the Government General | 1,200,000 |
| | <hr/> |
| Total | 35,000,000 |

Table VI at the end of this chapter¹ shows the actual expenditure made by the Treasury for Formosa for the chief items.

The actual account for the guards at Weihaiwei was 917,677 *yen* in 1896; 855,588 *yen* in 1897, and 85,576 *yen* in 1888.

Besides the foregoing, the chief undertakings planned after the Sino-Japanese War were improvement of water courses, extension of educational plants, development of Hokkaido, subsidy for harbor construction, establishment of agricultural experiment stations and schools for sericulture, development of foreign trade, erection of a hall for exhibiting goods for foreign trade (after 1896), special forestry administration (after 1899), improvement of live stock, investigation of sulphur mines, establishment of industrial experiment station (after 1900), also increasing legations abroad and extending the customs service.

As the government thus launched out ambitiously in various directions, the budget expanded enormously after the war. The total amount of the ordinary and extraordinary annual expenditure in 1900 amounted to nearly 300 million *yen*. Later, when the extension of defenses and the other continuation plan had been nearly completed, the annual expenditure for these purposes was stopped and the extraordinary expenditure was reduced. Yet before the Russo-Japanese War, that is, in 1903, the amount did not fall below 249 million *yen*. A part of this increased expenditure was obtained from the indemnity and a part from the bond issue, but the balance had to be taken from the ordinary revenues of the government. On that account an increase in taxes was several times required. We shall now disclose in the following chapters the sources of revenue for the foregoing various items of expenditure.

¹ *Post*, p. 146.

Bonds and indemnity

BONDS

(1) War Bonds—The bonds issued to pay off the expenses of the Sino-Japanese War were the so-called war bonds. The total amount of the issue was 124,920,750 *yen*, with net receipts to the government of 122,437,687 *yen*. The period of issue of these bonds stretched from September, 1894, to November, 1896. The receipts from the bond issue were used entirely for war expenses. As this has been already explained we shall not repeat the details here. But below we shall show the burden imposed upon the Treasury in consequence of the bond issue.

DETAILS OF BOND ISSUE *

| Fiscal year | Redemption of principal | | Interest paid | Total |
|-------------|-------------------------|-------------|---------------|-------------|
| | Face value | Amount paid | | |
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1894..... | ..... | ..... | 78,223 | 78,223 |
| 1895..... | ..... | ..... | 2,937,055 | 2,937,055 |
| 1896..... | ..... | ..... | 5,431,824 | 5,431,824 |
| 1897..... | ..... | ..... | 6,082,643 | 6,082,643 |
| 1898..... | ..... | ..... | 6,206,077 | 6,206,077 |
| 1899..... | 8,339,300 | 8,001,558 | 6,094,789 | 14,096,347 |
| 1900..... | ..... | ..... | 5,819,049 | 5,819,049 |
| 1901..... | ..... | ..... | 5,825,219 | 5,825,219 |
| 1902..... | 940,300 | 912,255 | 5,785,426 | 6,697,681 |
| 1903..... | ..... | ..... | 5,779,344 | 5,779,344 |
| 1904..... | ..... | ..... | 5,774,769 | 5,774,769 |
| 1905..... | ..... | ..... | 5,792,879 | 5,792,879 |
| 1906..... | ..... | ..... | 5,701,388 | 5,701,388 |
| 1907..... | ..... | ..... | 5,779,263 | 5,779,263 |
| 1908..... | 2,235,200 | 2,151,128 | 5,674,934 | 7,826,062 |
| 1909..... | 4,889,300 | 4,986,746 | 5,677,813 | 10,664,559 |
| 1910..... | 108,516,650 | 108,739,883 | 2,721,485 | 111,461,368 |
| Total..... | 124,920,750 | 124,791,570 | 87,162,180 | 211,953,751 |

* A word should be said regarding the amount paid for redemption of the principal. The amount paid was only 78,452,300 *yen* or the amount of the face value of the bonds reduced, by purchase and exchange, by 46,339,271 *yen*. Thus the amount paid for redemption and the face value of the bonds did not coincide.

The net receipts were, as before stated, 122,437,687 *yen*, so that after all the amount paid in for redemption exceeded

the net receipts by 2,353,884 *yen*. The net burden to the Treasury in consequence of the war bonds issued was therefore this last figure, to which should be added 89,516,064 *yen* for the interest payments, and, in addition, about 500,000 *yen* for the cost of printing and preparing the bonds and also the expense connected with making the redemption and interest payments.

(2) Sundry bond issues in connection with the post-bellum enterprises. When the government was casting about for funds to finance the post-bellum enterprises, it decided to secure such by the issue of bonds for productive enterprises, as the building of railways and extension and improvement of telephone facilities. In consequence, as we have seen, an enormous number of bonds appeared, such as the industrial bonds, the railway bonds, the Hokkaido railway bonds and the Formosan industrial bonds, which were decided upon in 1892.

The industrial bonds were issued in accordance with the industrial bonds act, Law No. 59, promulgated March 29, 1896, in order to secure a fund for various post-bellum enterprises.

The amount was at first fixed at 135 million *yen* and later increased to 148,991,834 *yen*. This amount was apportioned to various enterprises, as follows:

| Nature of enterprises | Amount | Remarks |
|---|--------------------------|---|
| Expense of improving government railways already built. | <i>Yen</i> 26,553,000 | |
| Expense of building Hokkaido railways (Sorachita to Asahigawa) | 1,178,330 | Afterward increased one <i>yen</i> , i.e., 1,178,331. |
| Expense of establishing an iron foundry | 3,516,031 | Afterward changed to 18,622,932 <i>yen</i> , i.e., an increase of 15,106,901 <i>yen</i> . |
| Expense of extending telephone exchanges | 12,802,102 | Afterward increased 5 <i>yen</i> , i.e., 12,802,107 <i>yen</i> . |
| Establishment of transaction office of leaf tobacco and its operating capital | 12,213,550 | |
| Expenses of army and navy extension | 77,458,907 | |
| Army 18,459,484 | | |
| Navy 58,999,423 | | |
| Interest on bonds for the first year | 1,278,080 | Afterward 163,007 <i>yen</i> , i.e., a decrease of 1,115,073 <i>yen</i> . |

Law No. 93, promulgated May 13, 1896, for the building of the Hokkaido railways, provided for the construction of the line from Asahigawa, Ishikari province, through Tokachida in Tokachi province, and Atsukishi in Kushiro province, to Abashiro in Kitami province; a line from Ribetsu in Tokachi province, through Ainouchi in Kitami province and Atsukishi in Kushiro province, to Nemuro in Nemuro province; a line from Asahigawa to Soya; a line from Uryu plain in Ishikari province to Masuge in Teshiwo province; a line from Nayoro in Teshiwo province to Abashiri, and a line from Otaru to Hakodate; for all of which it was decided to issue bonds to the amount of 33 million *yen*.

Next, the object of Law No. 4, for railway construction, issued June 20, 1892, was to build to the limit of expenditure of 60 million *yen* the Central, the Hokuriku, the Kokuyetus, the Oou, the Sōbu, the Jōban, the Kinki, the Sanyo, the Sanin, the Shikoku, the Kyūshū and other lines. Laws, Nos. 11 and 12, issued in March, 1895, revised Law No. 4, and added more lines. As a result, the total amount of the appropriation was changed to 94,844,459 *yen*.

The industrial bonds, the Hokkaido railway bonds, and the railway bonds were turned over to special accounts by Law No. 13, issued in February, 1899, providing for special accounts for these three loans. Afterwards these bonds were called the Imperial five per cent bonds.

The government now attempted to obtain a fund for Formosan development expenses by issuing bonds. Law No. 75, of March 20, 1899, provided for the issue of Formosan industrial bonds to the amount of 3,500,000 *yen* for the purpose of building railways, surveying land, constructing forts, and erecting government buildings. The foregoing four classes of bonds may be summarized as shown in the following table.

By these immense bond issues, the government tried to carry out the aforesaid plans for new enterprises within the allotted time. But at that time the money market all over the country was very much depressed, and in consequence it was impossible to float these bonds. Therefore the money had to

| Class of bonds | First authorization | Subsequent substitute authorization |
|-------------------------------|---------------------|-------------------------------------|
| | Yen | Yen |
| Industrial | 135,000,000 | 148,991,834 |
| Hokkaido Railway | 33,000,000 | 33,000,000 |
| Railway | 60,000,000 | 94,844,459 |
| Formosan industrial | 35,000,000 | 35,000,000 |
| Total | 263,000,000 | 311,836,293 |

be transferred either from the Savings Deposits Account of the Finance Department, or from the Indemnity Account. But in June, 1899, 10 million pounds sterling of four per cent bonds in British gold were issued (issue price, 90 per cent commission, 4 per cent net receipts, 86 per cent); and later the money collected in the Deposit Section, or bond redemption fund, was utilized in order to prosecute the work intended to be financed by the bond issues.

Relation of bond issues to the expense of said enterprises.— We shall next consider the details of the amount needed for enterprises, to be prosecuted by means of the money collected by the issue of industrial, railway, and Hokkaido railway bonds, in order to show the relation of the money collected from bond issues to the total expenditure for these enterprises. At the end of this chapter are several tables showing these details. Table VII¹ gives the revenue covering the expenditures for Formosan development for the years 1896–1903 and includes money transferred from the general account, money transferred from indemnity, and money received from bond issues; Table VIII² gives the manifold purposes of the industrial bonds for the same period, and Table IX³ gives the ratio of actual expenditures for Formosan development, also during the same period.

The following table will show the amounts of interest paid on these various bond issues:⁴

¹ *Post*, p. 147.

² *Post*, p. 148.

³ *Post*, p. 149.

⁴ The Imperial 5 per cent bonds refer to the railway, the industrial and the Hokkaido railway bonds. The 4 per cent sterling bonds were that portion of the Imperial 5 per cent bonds issued abroad.

INTEREST PAID ON BONDS

| Year | Imperial 5 per cent bonds | Formosan industrial bonds | 4 per cent British sterling bonds | Total |
|---------------|---------------------------------|---------------------------------|---|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1893-1895.... | 325,626 | .... | .... | 325,626 |
| 1896..... | 375,000 | .... | .... | 375,000 |
| 1897..... | 1,287,979 | .... | .... | 1,287,979 |
| 1898..... | 2,840,368 | .... | .... | 2,840,368 |
| 1899..... | 2,840,408 | .... | .... | 2,840,408 |
| 1900..... | 3,031,241 | 39,215 | 3,913,203 | 6,983,659 |
| 1901..... | 3,276,790 | 160,812 | 3,907,816 | 7,345,418 |
| 1902..... | 4,127,194 | 347,283 | 3,907,934 | 8,382,411 |
| 1903..... | 5,967,454 | 443,018 | 3,916,066 | 10,326,538 |
| Total.... | 24,072,060 | 990,328 | 15,645,019 | 40,707,407 |

The interest payments amounted to 40,707,407 *yen*. In addition, a certain amount of expense was incurred in transferring money from one bureau to another account, or in borrowing for the purpose of utilizing the money temporarily as capital.

Of the amount accounted for in the foregoing paragraph, exclusive of interest payments on the bonds, the total between the years 1896 and 1903 was 451,281,722 *yen*. The sources from which it was obtained are as follows. It must be noted, however, that the fractions of one *yen* were discarded, so that the detailed figures will not coincide exactly with the total.

| | | | | |
|--|-------------|-----------------|-------------|-----------------|
| Amount transferred from the general accounts..... | <i>Yen</i> | <i>Per cent</i> | <i>Yen</i> | <i>Per cent</i> |
| Indemnity transferred..... | | | 76,485,178 | 16.95 |
| Amount secured from bond issues: | | | 174,875,542 | 38.75 |
| Industrial bonds..... | 138,846,215 | 30.77 | | |
| Railway bonds..... | 56,106,884 | 12.43 | | |
| Hokkaido railway bonds..... | 4,967,900 | 1.10 | | |
| | | | 199,921,000 | 44.30 |

As shown in the foregoing table, the percentage obtained from the various bond issues to the total needed was 44.30 per cent, the balance having been transferred from the indemnity (38.75 per cent) and from the general account (16.95 per cent), but these bonds were not all issued at home. About half of them, that is, 83,961,800 *yen*, were issued abroad. Furthermore, the money which was not obtained abroad was

secured by transfer from the Treasury surplus or from special account of the indemnity and applied to the prosecution of various undertakings, as we have explained before in detail. Thus, we should note that the funds for the chief expenditure for the various enterprises undertaken after the Sino-Japanese War were furnished by the indemnity and its transfer and the importation of foreign capital. The successful importation of foreign capital was possible, it is needless to say, because the position of Japan in the world had been raised by the Sino-Japanese War; but it was also due, we believe, to the reform of the currency system. This currency reform in 1897 was completed largely by means of the indemnity, as we shall explain elsewhere. When we consider this matter, we should remember that the post-bellum enterprises had a very close connection with the indemnity. That the government undertook these various aggressive post-bellum enterprises at all was due entirely to the indemnity. Here let us glance at the disposition made of the indemnity which furnished so great a service to the post-bellum finance of our country.

INDEMNITY

As a result of the Sino-Japanese War, an indemnity was obtained from China for four purposes, namely, for war expenses; for interest on the deferred payments of the indemnity; for expense of guards at Weihaiwei, and for compensation for the return of the Liaotung peninsula.

The claim for indemnity for war expenses and for interest on deferred payments was based on the Treaty of Shimonoseki signed April 17, 1895, Article IV of which reads as follows:

China promises to pay to Japan 200,000,000 *taels* in *Kuping* silver as an indemnity for war expenses . . . against any unpaid portions of the indemnity after date of first payment (that is the payment of 50,000,000 *taels* made within six months after the ratification of the treaty of peace) interest at the rate of 5 per cent per annum shall be paid; provided, however, that China may at any time pay the whole or a part of the indemnity in advance of the dates of payment; if the whole of the indemnity shall be paid within three years after the ratification of the treaty (or by May 8, 1898) all interest on the deferred payments of the indemnity shall be waived, and the interest already paid up to that time shall be included in the payment of the principal.

The claim for the indemnification of the expenses of the guards at Weihaiwei was based upon Article VIII of the Shimonoseki Treaty of Peace, as mentioned before, which reads thus:

China agrees to the temporary occupation of Weihaiwei in the province of Shantung by the Japanese army as a guarantee that the terms of this treaty shall be observed faithfully . . .

and also upon Article I of a separate agreement which stipulates—

The size of the Japanese Army which shall occupy Weihaiwei temporarily in accordance with Article VIII of the treaty signed today shall not exceed one Japanese Army Corps. China agrees to pay 500,000 *taels* (*Kuping* silver) a year, as one-fourth of the expense of the temporary occupation, beginning from the day said treaty shall be ratified and copies exchanged.

The compensation for the return of the Liaotung peninsula was based upon Article II of the treaty concerning the return of that peninsula which was signed November 8, 1895, and reads:

The Chinese Government agrees to pay to the Japanese Imperial Government up to November 16, 1895, the sum of 30 million *taels* (*Kuping* silver), as a compensation for the return of the southern part of Mukden province.

As the Chinese Government paid in full the entire amount of the war-expense indemnity by May 8, 1898, as stated before, the interest was waived in accordance with the terms of the treaty, as explained before. Consequently, our country received the following amounts as a result of the war:

| Funds | In Chinese currency | In Japanese currency |
|--|------------------------|-------------------------|
| | <i>Taels</i> | <i>Yen</i> |
| Indemnity for the war expenses. | 200,000,000 | 311,072,865 |
| Compensation for the return of the Liaotung peninsula. | 30,000,000 | 44,907,499 |
| Expense of guards at Weihaiwei for three years. | 1,500,000 | 2,380,103 |
| Total. | 231,500,000 | 358,360,467 |
| Interest for the use of the indemnity fund. | | 8,888,224 |
| Grand total. | 231,500,000 | 367,248,691 |

Considering the financial and economic condition of our country at the time, the foregoing was indeed an enormous amount, and provided funds for various undertakings after the Sino-Japanese War, such as the improvement of the national defenses and other enterprises; it also led to the expansion of our annual budget. This is the reason why we have presented here in such detail the receipts and expenditures in connection with the indemnity and the effects of the same upon our finance and economy.

Our government, in laying financial plans after the Sino-Japanese War in reference to the indemnity, decided on the policy of applying it to the redemption of the expenses of the Sino-Japanese War, the extension of the army and navy, the establishment of an iron foundry, an extraordinary reserve fund, and a subsidy to the Bank of Agriculture and Industry, thereby laying a foundation for extensive post-bellum enterprises. At the same time, the indemnity was placed under "special accounts," and separated from the general accounts of the government. We shall here enumerate the ways in which the indemnity was used.

The amount available for various enterprises was 364,868,587 *yen*, but the fund for the expense of the guards at Weihaiwei was from the first placed under "general accounts" and was separated from the indemnity account for war expenses.

ENTERPRISES FOR WHICH SINO-JAPANESE WAR INDEMNITY WAS EMPLOYED

| | <i>Yen</i> |
|---|--------------------|
| (1) Redemption of the expenses of the Sino-Japanese War | 78,957,165 |
| (2) Expenditure for army expansion | 56,781,708 |
| (3) Expenditure for naval expansion | 139,157,097 |
| (4) Expenditure for establishing an iron foundry | 579,762 |
| (5) Extraordinary war expenses for the year 1897 and for transportation and communication | 3,214,485 |
| (6) Transferred to general accounts for the year 1898 | 12,000,000 |
| (7) Transferred to the Imperial Household | 20,000,000 |
| (8) Supplementary fund for warships and torpedoes | 30,000,000 |
| (9) Education fund | 10,000,000 |
| (10) Reserve fund for calamities | 10,000,000 |
| Total | 360,690,217 |
| Amount available | 364,868,587 |
| Amount employed for enterprises | 360,690,217 |
| Balance (transferred to consolidation fund of national bonds) .. | 4,178,370 |

The details of the revenue and expenditures are shown in Table X and XI at the end of this chapter.¹

Of the foregoing, the amount used for the redemption of the war expenses, that is, 78,957,165 *yen*, was certainly used in accordance with the original purpose of the indemnity. Not only so, but it had a very salutary effect in the prosecution of the bond policy after the war. At first it was the plan to use the indemnity received in 1895, amounting to 120 million *yen*, for the first period of army and navy expansion. But at that time there was urgent need of issuing bonds or borrowing to the amount of 100 million *yen* for the special account of the Sino-Japanese War, as this amount had to be secured before March, 1896. Now, if the whole of the war indemnity received had been devoted to the purposes of army and navy expansion and the fund for the Sino-Japanese War expenses had been obtained by means of bond issues, the major part of the indemnity would have been buried in the Treasury for three or four years, while all the time the bonds would have been drawing interest—economically, a very wasteful arrangement. Besides, it would not appear technically correct to devote the indemnity obtained from China to expansion of means of defense, without using any portion of it for the redemption of the expenses of the Sino-Japanese War. Thus the original plan was dropped and, as mentioned before, the amount drawn from the indemnity, while the war bonds were not issued, thereby adjusting the matter of the war expenses. By these methods the load on the Treasury and the danger of disturbing the financial market after the war on account of such bond issue were avoided. So the less apparent advantages secured by this change of policy must not be ignored.

Now, regarding the 20 million *yen* presented to the Imperial household in 1898, the government had already decided upon it in a cabinet meeting and was about to introduce a bill to that effect in the National Diet, when the Diet with a unanimous vote passed a resolution of its own accord to present

¹ *Post*, p. 150.

this amount. This was an expression of the loyalty of our nation to the Imperial household; and the fact that the nation did not spend for administrative purposes all of the indemnity from the war, but presented a part of it to the Imperial household in order to help toward perpetuating the glory of the Empire, should be displayed in special type. In presenting it the government used consolidating bonds (face value 21,022,350 *yen*, market value 19,404,050 *yen*, and war bonds (face value 645,450 *yen*, market value 595,905 *yen*), so that these bonds helped the money market both directly and indirectly.

The three funds of which this was the foundation, amounting in all to 50 million *yen*, were as follows:

| Item | Gold coin and bullion | Imperial Government bonds | | Cash | Total |
|---|--------------------------|------------------------------|---------------------------------|------------------|--------------------------|
| | | Amount | Face value | | |
| Fund for rebuilding of battle-ships and torpedo boats . . . | <i>Yen</i> 15,041,827 | <i>Yen</i> 14,958,173 | <i>Yen</i> ^a | <i>Yen</i> .. | <i>Yen</i> 30,000,000 |
| Educational fund . . . . . | .... | 9,999,989 | 10,775,850 | 11 | 10,000,000 |
| Reserve fund for natural disasters . . . . . | .... | 9,999,989 | 10,775,850 | 11 | 10,000,000 |
| Total | 15,041,827 | 34,958,151 | .... | 22 | 50,000,000 |

^a Face value, £1,700,000.

The greater portion of these funds was in bonds. The gold coins and the gold bullion, amounting to 15 million *yen*, were deposited with the Bank of Japan with the understanding that when the specie reserve should be reduced to 90 million *yen*, or when the government should have need, the amount deposited should be returned to the government. Thus it had a favorable effect upon the money market. Not only so, but at the time of the Russo-Japanese War this

special fund was transferred and used for war expenses, thereby affording considerable assistance to the government, which fact should be mentioned here.

The foregoing were the undertakings for which the indemnity was actually used. But the influence of the indemnity upon our finance and economy was not confined to these uses. It has been skilfully manipulated to serve in many other important ways; for example, after it was received and until it was finally disposed of, the balance in hand had a favorable effect upon the money market; then again, in order to prevent the outflow of our specie it was used as a reserve for exchange transactions; then in 1898, when bonds could not be issued at home, it was employed temporarily by a system of transfer; and finally it has helped the finances of Japan directly and indirectly by enabling the government to hold securities in England. Thus, while it may be out of place to go into detail regarding these matters in the present discussion, it is perhaps important to add this explanation to maintain a proper balance in point of relative importance of this and other effects.

The first thing to set forth is the service of the indemnity in assisting the establishment of the gold standard system. Our country, as we shall explain later,¹ long since tried to reform our currency system and to change from the double or silver standard to the gold standard. In October, 1893, a committee was organized to investigate the advantages and disadvantages of such a change and earnestly to prepare for it. But the government could not make the change for a long time because the necessary gold reserve could not be secured. When we received the indemnity from China after the Sino-Japanese War it was arranged to receive the payment in British gold. Therefore the specie and gold bullion in payment were shipped here from England and our gold coins were minted from this, thereby rendering practicable the plan of establishing the gold standard. Here, however, we must explain clearly that

¹ *Infra*, p. 159.

in executing this plan the indemnity itself was not used—the coin was merely manipulated to produce this desired result.

Then again, the temporary balance from the indemnity accounts was invested in securities, thus employing it for the relief of the money market. This step had been highly contributory toward the betterment of our finances. For instance, in the first place, in March, 1899, war bonds to the amount of 10 million *yen* were issued, but the result of the subscriptions was not favorable, only 1,500,000 *yen* being subscribed for. So 5 million *yen* out of the remainder of the bonds was subscribed for at face value by the government and later these war bonds were exchanged for the railway bonds held by the Savings Deposits Bureau. The railway bonds, together with the industrial bonds, were later called 5 per cent bonds.

On January 21, 1898, both the industrial and the railway bonds (face value 10,807,350 *yen*, issue price 10,168,636 *yen*) were subscribed for on March 29 at a face value of 5 million *yen*—issue price 4,510,500 *yen*. The stringency of the money market after the war did not permit the issue of these bonds in open market. Yet if this capital could not have been obtained, the various undertakings would have had to be postponed. Besides, difficulties in economic circles were at that time increasing more and more. So the government, in order to relieve the market and at the same time to manipulate the indemnity successfully, decided to purchase 15 million *yen* of the Hypothec debentures and 35 million *yen* of public loan bonds, which were purchased at 96 *yen* per 100 *yen* of face value.

Of the foregoing, the subscription for the Hypothec debentures was made to help extend the loans of the Hypothec Bank of Japan and also to relieve the industrial concerns in Osaka and other places which were in serious financial difficulties at that time. The conditions of the government subscription were that the government should take up the remainder of the whole amount of the bond issue after the popular subscriptions to the bonds had been taken into account, and that the in-

vestment of the capital should be confined to export industries in Osaka, Kyoto and Tokyo, or to goods which would take the place of imported articles. The actual result of the subscription was as follows:

| No. | Date | Total amount of loan | Private subscription | Absorbed by indemnity accounts | Total issue |
|-----|-------------------|----------------------|----------------------|--------------------------------|-------------|
| | | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1 | April 11-22, 1898 | 1,000,000 | 477,650 | 519,450 | 997,100 |
| 2 | April 25-28, 1898 | 1,000,000 | 44,750 | 955,250 | 1,000,000 |
| 3 | June 8-13, 1898 | 1,000,000 | 12,750 | 987,250 | 1,000,000 |
| 4 | Oct. 1-10, 1898 | 2,000,000 | 1,413,900 | 586,100 | 2,000,000 |
| 5 | April 1-30, 1899 | 1,000,000 | 305,620 | 694,380 | 1,000,000 |
| | Total | 6,000,000 | 2,254,670 | 3,742,430 | 5,997,100 |

It is plain, therefore, that about 62 per cent of the entire amount of the bond issue of 6 million *yen* was absorbed by the indemnity accounts. Next, we shall note the circumstances surrounding the purchase by the government of the bonds. On April 15, 1898, for the first time an order was issued to the Bank of Japan to undertake the purchase of the bonds. The result was very successful, so that in October of the same year the money market was gradually relieved and the interest rate of the Bank of Japan was reduced. Therefore on October 10, the order to purchase the bonds was rescinded. The entire amount of the bonds thus purchased at that time was 38,707-770 *yen* (face value) the purchase price being 36,998,826 *yen*.

Again, on April 13, 1899, in order to raise the price of bonds, the government decided to purchase an additional 5 million *yen* of bonds, and thereby succeeded in raising the market price to the face value between April 21 and June 1 of the same year.

We have so far described how the government purchased the negotiable instruments for the purpose of relieving the money market. We shall now show in the following table the amount of the subscription by the government for these bonds and the amount of purchase:

GOVERNMENT SUBSCRIPTION AND PURCHASE OF BONDS

| Item | Amount of subscription | Purchase to relieve money market | Purchase to preserve market value | Exchange with deposits section | Total |
|--------------------------|------------------------|----------------------------------|-----------------------------------|--------------------------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 5 per cent bonds: | | | | | |
| Face value | 20,807,350 | 2,700 | .... | 3,100,000 | 23,910,050 |
| Purchase value | 19,679,136 | 2,527 | .... | 2,966,268 | 22,047,931 |
| War bonds: | | | | | |
| Face value . . . . . | .... | 13,446,550 | 638,600 | .... | 14,085,150 |
| Purchase value . . . . . | .... | 12,897,288 | 638,683 | .... | 13,535,971 |
| Consolidated bonds: | | | | | |
| Face value . . . . . | .... | 21,022,350 | 1,350,800 | .... | 22,373,150 |
| Purchase value . . . . . | .... | 20,146,346 | 1,340,360 | .... | 21,486,706 |
| Navy bonds: | | | | | |
| Face value . . . . . | .... | 426,000 | .... | .... | 426,000 |
| Purchase value . . . . . | .... | 402,045 | .... | .... | 402,045 |
| Kinroku bonds: | | | | | |
| Face value . . . . . | .... | 3,810,170 | .... | .... | 3,810,170 |
| Purchase value . . . . . | .... | 3,550,620 | .... | .... | 3,550,620 |
| Total: | | | | | |
| Face value | 20,807,350 | 38,707,770 | 1,989,400 | 3,100,000 | 64,604,520 |
| Purchase value | 19,679,136 | 36,998,826 | 1,979,043 | 2,966,268 | 61,623,273 |

Increase of taxes and development of government monopoly

The expenses of the Sino-Japanese War were principally met by the issue of bonds and the transfer of the indemnity, thus rendering the increase of taxes in the main unnecessary. But when the government expenditure increased on account of various post-bellum undertakings, funds were secured by increasing certain classes of taxes, by creating others, and by establishing a monopoly on leaf tobacco.

An increase in the taxes took place twice after the Sino-Japanese War. The estimated amount of revenue from the increase was as follows: in the first period, from the fiscal year 1896, the amount was 33,576,293 *yen*; in the second, from the fiscal year 1899, it was 40,346,875 *yen*; in all, 73,923,168 *yen*.

According to the first plan, a business and a registry tax were newly established, a tobacco monopoly also, and the *sake* tax was increased, while on the other hand certain classes of taxes were abolished. The intention was to increase the net receipts to over 26 million *yen*. The receipts were estimated as follows:

| | Estimated receipts |
|---|--------------------|
| | <i>Yen</i> |
| Registry tax (new) (in force from April 1, 1896) | 6,423,993 |
| Business tax (new) (in force from January 1, 1897) | 7,551,377 |
| <i>Sake</i> tax (increased) (in force from October 1, 1896) | 9,284,544 |
| Leaf tobacco monopoly (newly established) (in force January 1, 1898) | 10,316,379 |
| | <hr/> |
| Total | 33,576,293 |
| Decrease from abolition of certain taxes | 7,552,397 |
| | <hr/> |
| Balance | 26,023,896 |

Later, at the time of the second increase, a tax on tonnage was established, and other taxes were increased, in order to obtain a total of 42 million *yen* a year.

| | <i>Yen</i> |
|--|------------|
| Land tax (in force from January 1, 1899) | 8,475,958 |
| Income tax (in force from April 1, 1899) | 1,494,516 |
| <i>Sake</i> tax (in force from January 1, 1899) | 22,556,409 |
| Tonnage tax (in force from August 4, 1899) | 237,986 |
| Registry tax (in force from April 1, 1899) | 1,846,759 |
| Leaf tobacco monopoly receipts (in force from April 1, 1899) . . | 2,145,550 |
| Tax on convertible bank notes (in force from April 1, 1899) . . | 1,159,560 |
| Soy tax (in force from March 1, 1899) | 1,598,387 |
| License to sell tobacco (in force from April 1, 1899) | 831,750 |
| | <hr/> |
| Total | 40,346,875 |

The entire increase for the two periods was roughly estimated at 73,923,000 *yen*. Comparing this amount with the total amount of 156,552,359 *yen* from taxes, stamp receipts, and the profits of the leaf-tobacco monopoly for the fiscal year 1900, the year in which the entire actual amount of the increased taxes was to be realized, the estimated amount as mentioned above was about 50 per cent of the entire amount, and compared with 74,697,624 *yen*, which was the amount of revenue from taxes as actually accounted for in the fiscal year 1895, the year previous to the increase in taxes, it is seen to be nearly the same as the entire amount of the tax revenues. We thus see how extraordinary the increase in taxes was. For, whereas in 1895 the amount of revenue from various taxes classed as indirect was 34,507,661 *yen*, against the total amount of revenue of 40,189,963 *yen* from the land and income taxes classed as direct, in 1900 the indirect taxes amounted to 74,788,744 *yen* and the direct taxes to 59,137,351 *yen*. The

ratio of these taxes to the entire revenue from all the taxes was as follows for 1895 and 1900:

| Year | Direct <i>Per cent</i> | Indirect <i>Per cent</i> |
|------|---------------------------|-----------------------------|
| 1895 | 53.8 | 46.2 |
| 1900 | 44.2 | 55.8 |

We shall explain later what kinds of taxes were classed as indirect, for we must note that these indirect taxes constituted one cause of the extraordinary rise in the prices of commodities after the Sino-Japanese War. We shall explain this point more in detail, under the heading "Fluctuation in Prices" in Chapter VIII.

We have thus briefly outlined the plan to increase taxes and the results. The reason why taxes, increased once in 1896, were, within a few years, that is, in 1899, again enormously increased was because of the extraordinary increase in the ordinary expenditure arising from the post-bellum enterprises, the rise in prices consequent upon the economic changes made after the war, and the various enterprises undertaken in the newly acquired territories, since not only were there limitations to the use of the indemnity but there were difficulties in obtaining funds for ordinary expenditure, as the market conditions of the country at the time did not permit the sale of bonds. Naturally, these financial difficulties led to frequent political quarrels and change of cabinets. The national Diet was next dissolved so that the results just stated could be brought about. Before briefly explaining the newly established and increased taxes, we shall present the annual financial status in outline.

We have repeatedly explained before that, in order to meet the various expenditures required by the nation's development after the Sino-Japanese War, and also to meet the expanded administrative expenditure resulting from the rise in prices of commodities and in the cost of labor consequent upon the economic disturbances after the war, our country levied increased taxes to meet the ordinary expenditure and transferred the indemnity and issued bonds to obtain financial

resources for the extraordinary expenditure. But as it was expected that in the fiscal year 1896 there would be a deficit of about 20,360,000 *yen* in the ordinary revenues owing to various expenditures, such as those for the expansion of the means of national defense, the payment of the principal and interest on the war bonds, the Imperial grants of rewards, the annual pensions, the expenditure for Formosa and for Weihaiwei, etc., and also that these various expenses would increase thereafter, it was estimated that the amount needed to supply the deficit in the annual revenue would be approximately 30 million *yen*. Hence as we stated before, a registry tax and a business tax were newly established, a leaf tobacco monopoly was instituted, and the *sake* tax was increased, so that in all an increase of 26,023,896 *yen* from taxes was secured. Although the increase in taxes was thus effected, yet in that fiscal year the revenue from the registry tax amounted to only about 2,720,000 *yen* (deducting the revenue from abolished taxes). The deficit so caused was made good by transferring an equal amount from the surplus in the Treasury left over from the previous year, the government being thereby barely enabled to balance the annual revenue and expenditure. The next year, 1897, the budgetary item for expenditure was also enormously increased. But, as the increase in taxes had been effected in the previous fiscal year, there was a revenue of 16 million *yen* from the increase (net revenue about 10 million *yen* after deducting the revenue from abolished taxes), and in addition a natural increase in revenue from other sources; so that the ordinary revenue for that year showed an increase of about 20 million *yen* compared with the previous year, thereby enabling the government to maintain a reasonable balance between the annual revenue and expenditure. But until the succeeding year the entire estimated amount of revenue from the increased or newly established taxes could not be obtained. So the deficit was supplied from the surplus in the Treasury and from a certain amount transferred from the indemnity. But in 1898, owing, on the one hand, to an extraordinary increase in expenditure

(amounting to about 5 million *yen*) for the encouragement of water transportation, the extension of shipping routes, and the replenishment of the fund for various enterprises in Formosa (amounting to about 10 million *yen*) and on the other hand, to a decrease in revenue (amounting to about 5 million *yen*), because of the abolition of the tax on registry of population, the decrease of the business tax, etc., there was again a deficit in the ordinary revenue amounting to 21 million *yen*. Thereupon, the government tried to secure the entire amount or an increase of 25 million *yen* from the land and *sake* taxes. But the net revenue from increased taxes for the fiscal year 1898 amounted to only a little more than 8 million *yen*. The revenue for this year included about 9,500,000 *yen* of the increase in the land tax, but 170,000 *yen* were expended for the collection of the revised *sake* tax, and 910,000 *yen* for the expenses of land revaluation, while 330,000 *yen* were estimated as a decrease through the prohibition of home *sake* brewing. It was planned to meet the deficit thus caused by means of a loan. But at that time, the government—the Matsukata Ministry—lost control of the political situation. The Diet did not approve the ministry, and passed a resolution to that effect. Thereupon the Diet was dissolved and at the same time the bill to increase the tax was voted down. Consequently, the only way to supply the deficit was to make use of the indemnity or temporary loans.

Thus, in a short time, the Matsukata Ministry fell, and the second Ito Ministry was formed. The new Diet formed after the dissolution was commanded to assemble May 19, 1898. In that year, as before stated, there was a deficit in the annual revenue and the disparity between revenue and expenditure was great. As it was plain that this situation would be continued into the following year, the government again planned an increase in the taxes in order to be ready to meet any emergency. It was estimated that the deficit in the ordinary revenue would be 35 million *yen* as itemized on the next page.

So, the government, to offset this deficit, tried to obtain an

| | <i>Yen</i> |
|---|------------|
| Sundry expenses in Formosa | 11,240,000 |
| Encouragement of water transportation and extension of shipping routes | 4,870,000 |
| Redemption of bonds | 7,000,000 |
| Prison expenses paid out of Treasury | 3,550,000 |
| Fund established for relief of sufferers from natural disasters | 500,000 |
| Interest on Chitsuroku bonds | 460,000 |
| Increase in the ordinary expenditure on account of the rise in prices | 6,860,000 |
| New enterprises on account of revision of treaties with foreign countries | 2,550,000 |
| Total | 37,030,000 |
| Excess of revenue | 1,500,000 |
| Balance (deficit in revenue) | 35,530,000 |

increase in revenue from the land tax of 17,550,000 *yen*, the income tax of 1,640,000 *yen*, and the *sake* tax of 12,410,000 *yen*, totaling 31,600,000 *yen*. In addition, an increase was planned from the telegraph services, 430,000 *yen*, from the railway profits, 3,240,000 *yen*, totaling 3,600,000 *yen*, which would bring the grand total of increase to 35,200,000 *yen*. But the Diet considered it unreasonable to deliberate upon an increase in annual revenue not accompanied by corresponding expenditure. Therefore, the bill for revision of the land tax regulations was rejected by a great majority on June 10, 1898. The Diet was again dissolved, and the Ito Ministry fell on June 30. The Okuma Ministry which succeeded also fell on October 31 of the same year, on account of troubles among the members of the party, and was followed by the Yamagata Ministry.

In reviewing the budget for the year 1899, we find that the revenue amounted to 188,738,437 *yen* and the expenditure to 226,344,792 *yen*, the deficit in revenue being 37,606,355 *yen*. The following are the principal items of increase in the ordinary expenditure which account for this deficit:

| | <i>Yen</i> |
|---|------------|
| Encouragement of water transportation and extension of shipping routes | 3,790,462 |
| Sundry expenses in Formosa | 12,121,597 |
| Army expenses | 1,275,310 |
| Navy expenses | 3,578,368 |
| Army expansion | 5,140,798 |
| Temporary repair of warships and torpedoes | 440,432 |
| Sundry expenses in connection with revision of treaties and execution of laws in practice | 1,961,425 |
| Sundry expenses for education | 1,508,310 |
| Increase in expenditure of various government departments | 6,141,562 |
| Total | 35,958,264 |

There was also urgent need for effecting the payment of prison expenses out of the treasury reserve and for establishing a fund for the relief of sufferers from natural disasters. For these purposes, the sum of 46 or 47 million *yen* was required, but as the indemnity had already been allotted to various uses, only a very small amount remained available. As for a new bond issue, that was out of the question at this time when the money market was so tight. But as the foregoing items were practically of the nature of ordinary expenditure, a second period of tax increase was planned. Accordingly, the rates on land, income, *sake*, registry, convertible bank notes, soy, and tobacco business were raised, the rate of revenue from the leaf-tobacco monopoly was increased, and a revenue from postoffice and telegraph service was planned, amounting in all to 42,020,219 *yen*. These taxes have been discussed before, but we may here mention the fact that in anticipation of the proceeds to result from the new tax law the deficit in the annual revenues was made up by a transfer of a part of the indemnity. The first increase in taxes yielded 33,576,293 *yen* additional revenue, the second, 42,020,219 *yen*, a total of 75,596,512 *yen*. But in the early part of 1900 the Boxer troubles occurred in China and on June 26 of the same year Imperial Emergency Ordinance No. 277 was issued, authorizing the government to use, for the Boxer punitive expedition, a part of the three funds which had been established with the indemnity obtained from China, viz., (1) for building warships and torpedo boats, (2) for meeting emergencies from natural disasters, and (3) for promoting education. Before the end of 1900, 28 million *yen* from these funds had been employed for the aforesaid purpose. Accordingly, in 1901, an attempt was made to repay the Boxer expenditure and reimburse these three funds by raising the taxes on *sake* and sugar and raising, or at least regulating, the customs tariff rates, since it had been decided to replace revenue raised from bond issues with that raised from taxation. It was decided to raise additional revenue from the leaf-tobacco monopoly also. The bill to increase the taxes was vigorously

opposed for a time by the House of Peers. But after an Imperial order had been issued, the bill was successfully passed, and the various bills as passed were put in force from October 1, 1901. As stated before, the increase in taxes for the year 1901 was planned principally for the purpose of repaying the expenses of the Boxer war. But as the expenditure of the money thus raised was not confined to this, a further increase soon became necessary. Such were the evil effects of the post-bellum enterprises. We shall here tabulate the increase from the various taxes as follows:

| | <i>Yen</i> |
|---|------------------|
| Beer tax | 229,047 |
| Revised tariff regulations | 141,374 |
| Sugar consumption tax | 2,718,867 |
| Leaf-tobacco monopoly price changed | 3,204,287 |
| Total | <u>6,293,575</u> |

This increase amounted to about 6 million *yen* so that the whole increase reached about 82 million *yen*. We shall leave the detailed explanation concerning the foregoing various kinds of taxes to the volume dealing with the investigation of taxes and shall here confine ourselves to saying a few words concerning the development of government enterprises.

After the Sino-Japanese War, the newly planned or extended government enterprises were the tobacco monopoly, the railways, the iron foundry, and the post and telegraph offices. The reasons for starting said enterprises were as follows: The iron foundry was considered indispensable for defense purposes, the extension of the railways was planned in order to develop the wealth of the nation, and as to the reform in the regulations for postal and telegraphic service and railway freight made in the year 1899, this was made for quite other purposes than the replenishment of the annual revenues. The leaf-tobacco monopoly, on the other hand, was started altogether for the replenishment of the annual revenues, and was the first of the monopolistic enterprises undertaken by Japan.

As we have already briefly described the iron foundry in discussing the extension of national defenses, and shall

explain the extension of railways in Chapter VI, we shall here dwell chiefly upon the leaf-tobacco monopoly.

The leaf-tobacco monopoly is especially notable for two reasons, first, because out of the entire budget the amount secured from its revenues was the largest in the financial program hurriedly formulated after the Sino-Japanese War¹ (in the first period of tax increase, 10,316,379 *yen*; in the second period, 2,145,550 *yen*, total 12,461,929 *yen*), and second because with its institution the monopoly system was first established as a government enterprise. It may indeed be proper to discuss the subject here as one development of government enterprises; but especially because it belongs to the class of consumption taxes, it is explained here.

The leaf-tobacco monopoly was established to replace the stamp tax on manufactured tobacco provided for in the tobacco-tax law of 1876. The annual revenue from the stamp tax had been very small, in 1876 amounting to only 80,000 *yen*. Later, it increased to between 50,000 *yen* and 60,000 *yen* for about seven years. In 1884, as a result of the revision of the law, the revenue reached approximately 1,000,000 *yen*, and after the revision of 1889, between 1,500,000 *yen* and 2,300,000 *yen*. But if the rate of a tax be raised the tax is liable to be dodged and the object—to secure an increase in revenue—frustrated. Thus the tobacco monopoly came to be established, with the object of controlling the sale legally. The government was to supervise the raising of tobacco, and the tobacco raisers to secure a special permit from the government to raise tobacco and to sell the crop to the government, after inspection, before harvesting or after the crop had been dried. They were not permitted to dispose of this to private parties or to consume it privately, and the government, after purchasing, was to sell to the tobacco manufacturers, thereby securing a margin of profit. This plan was executed from January 1, 1898, in accordance with Leaf-Tobacco Monopoly Law No. 35, promulgated on March 27, 1896.

¹ Article 12, Leaf-Tobacco Monopoly Law No. 35.

To be more specific, the government had the privilege of monopolizing the sale of all the leaf tobacco produced but must sell the produce at a fair price, the producers being required to report their products to the government. The produce left over in the hands of the tobacco manufacturers before January 1, 1898, which was the date of the execution of the new law, was to be governed by the tobacco tax law in force before that date. But at that time, the import tariff rate of our country was very low in accordance with the old treaty stipulations, so the importation of foreign tobacco increased considerably; the more so as the direct exportation of leaf tobacco was permitted to the producer without first selling it to the government.¹ Unscrupulous merchants often took advantage of this right and thus the desired result of the monopoly system could not be obtained. Therefore, on January 1, 1899, the tariff law was reformed and the existing evils removed, as by Law No. 28, issued on March 1, 1899, the government was to buy or import leaf tobacco. Again, the manufacture of tobacco or the monopolistic sale of leaf tobacco was permitted to those securing a license issued on payment of a fee (in the case of manufacturers, 50 *yen* each for manufacturies, and 50 *yen* each for dealers). This was done to increase the revenue by raising the rate.

The government, as a basis for estimating the profit from the monopoly, fixed the average price of manufactured tobacco throughout the country in 1894 at 22 *sen* per 100 *momme* (1 *momme* = 58 grains troy). From this four *sen*, four *rin*, and two *mo* of stamp tax was deducted, so that the net market price was fixed at 17.58 *sen*. Since 100 *momme* of manufactured tobacco requires 145.56 *momme* of leaf tobacco as material, at the aforementioned market price 100 *momme* of leaf tobacco would be worth 12.137 *sen*. The rate of revenue for the government from this was fixed at 35 per cent so that the amount of revenue for the government was 4.248 *sen*. But the average selling price of leaf tobacco by the growers was fixed at 5.084 *sen* per 100

¹ Article 12, Leaf-Tobacco Monopoly Law No. 35.

momme. The following table will show the basis of monopoly prices:

| | |
|---|------------|
| | <i>Sen</i> |
| Profit of the treasury (35 per cent.) | 4.248 |
| Commission for brokers for transportation (11 per cent.) | 1.026 |
| Sundry manufacturing expenses (about 20 per cent.) | 2.000 |
| Profit of the manufacturers and of the dealers (33 per cent.) | 4.027 |
| Total | 16.385 |

If this total is compared with the price of leaf tobacco, that is 12.137 *sen*, to which the stamp tax of 3.034 *sen* must be added, making a total 15.171 *sen*, it will be seen that as a result of the tobacco monopoly established by the government the market price would become higher by about 1.214 *sen*.

Now, according to the estimate of the government, the entire production of leaf tobacco throughout the country amounted to 24,285,260.182 *kwan*¹ and at the rate of 4.248 *sen* of profit per 100 *momme* for the government, as per the foregoing table, the revenue of the government, it was estimated, would be 10,316,379 *yen*. But the actual results of the monopoly did not come up to this estimate, as will be shown below. In the year 1901 the profits of the government amounted to 10,866,699 *yen*, but if we remember that the rate of profit then was 150 per cent, we may realize what the situation was.

The annual amount of leaf tobacco produced throughout the country for several consecutive years was as follows:

| | Amount produced | Amount received by government | Price paid by government | Price per <i>kwan</i> |
|-----------------|-----------------|-------------------------------|--------------------------|-----------------------|
| | <i>Kwan</i> | <i>Kwan</i> | <i>Yen</i> | <i>Yen</i> |
| 1898 | 8,280,882 | 8,177,711 | 5,967,625 | 0.730 |
| 1899 | 13,714,724 | 13,493,327 | 8,039,214 | 0.596 |
| 1900 | 13,315,291 | 13,309,991 | 7,720,610 | 0.580 |
| 1901 | 8,484,374 | 8,626,506 | 5,792,281 | 0.671 |
| 1902 | 8,349,505 | 8,430,071 | 6,123,339 | 0.726 |
| 1903 | 11,506,790 | 11,474,249 | 8,660,353 | 0.755 |
| Total | 63,651,566 | 63,511,855 | 42,303,422 | |

¹ 1 *kwan* = 8½ lbs. av.

Now the rate of revenue was based upon 84 per cent of the purchase price paid (the monopoly on imported tobacco was commenced from 1899 and the purchase price was based upon the same). Later, from July, 1898, to August, 1900, the rate increased to 100 per cent; from August 22, 1900, to 130 per cent; in the year 1901 it was 150 per cent; and in the year 1902 between 140 and 180 per cent.

The amount and the percentages of profit are given below, in a table which will show that the estimated revenue was at last obtained in the year 1902.

| | Expense of procuring leaf tobacco | Profit | Percentage of profit |
|------------|---|------------|-------------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Per cent</i> |
| 1897..... | 375,005 | 292,141 | 77.9 |
| 1898..... | 5,867,618 | 5,145,999 | 86.2 |
| 1899..... | 8,040,416 | 7,559,533 | 94.0 |
| 1900..... | 8,221,584 | 7,244,159 | 88.1 |
| 1901..... | 6,840,999 | 10,868,699 | 158.8 |
| 1902..... | 6,921,933 | 12,367,569 | 178.8 |
| 1903..... | 9,743,213 | 14,898,291 | 152.9 |
| Total..... | 46,010,768 | 58,376,391 | 126.87 ^a |

^a Average.

Now, at the time of the increase in taxes, in 1902, it was planned to obtain 1,673,344 *yen* from the post and telegraph revenues; while the direct object was not to replenish the annual revenue, yet the change in the telegraphic rate and the railway fare produced an increase of over 2,200,000 *yen* in the annual revenue. With this increase, telegraphic apparatus was increased, wires were extended, and the means of communication were otherwise improved in order to help the development of the government enterprises.

LOCAL FINANCE

As the finance of the central government expanded after the Sino-Japanese War, so the expenditure of the local governments for educational and industrial development expanded proportionately, to keep pace with the national

development. The following table will show the general increase in the annual expenditures of prefectures, cities, towns and villages, which are the local self-governing units of our country.

INCREASES IN ANNUAL EXPENDITURES OF PREFECTURES, CITIES, TOWNS AND VILLAGES

| Fiscal year | Prefectures (Do, Fu, Ken) | Cities (Shi) | Villages (Cho and Son) | Comparison annual ex- penditure from national treasury |
|-------------|------------------------------|-----------------|---------------------------|--|
| 1893..... | 100.0 | 100.0 | 100.0 | 100.0 |
| 1894..... | 106.0 | 114.8 | 110.0 | 92.4 |
| 1895..... | 101.2 | 138.8 | 119.7 | 100.9 |
| 1896..... | 129.1 | 176.8 | 134.3 | 199.9 |
| 1897..... | 163.4 | 235.0 | 170.2 | 283.4 |
| 1898..... | 170.3 | 250.8 | 193.5 | 259.8 |
| 1899..... | 197.8 | 343.2 | 223.3 | 300.5 |
| 1900..... | 212.3 | 435.6 | 263.0 | 346.1 |
| 1901..... | 219.6 | 506.1 | 296.6 | 315.5 |
| 1902..... | 236.8 | 593.0 | 311.5 | 342.0 |
| 1903..... | 245.6 | 589.7 | 316.4 | 295.1 |

As shown in the foregoing table, the expansion of the finance of the local government was much the same proportionately as that of the nation. In the case of cities the percentage of increase was especially great. The table on page 139 will show the percentage of various items of expenditure of the local governments to the total and also the percentage of increase in the expenditure in the year 1904 compared with that of the year 1895.¹

The table on page 139 shows that of the various items of expenditures, those for construction and for the police in prefectures, those for construction, education and bond issues in cities, those for construction, education and offices in towns and villages, amounted to enormous sums. It shows, again,

¹ In the annual expenditure, prefectural expenses for sanitation are included among other items, also the prison expenses were turned over to the national disbursements, in the year 1902. The administration of the police and the prisons is a governmental work and does not belong to the incorporated local communities, so that these expenses of administration do not appear in the expenditure of cities, towns and villages.

RATIO OF EXPENDITURES OF 1904 AND RATE OF INCREASE OVER 1895

| | Prefectural expenditure | | City expenditure | | Town and village expenditure | |
|--------------------------------------|-------------------------|------------------|------------------|------------------|------------------------------|------------------|
| | Percentage | Rate of increase | Percentage | Rate of increase | Percentage | Rate of increase |
| Police..... | 16.15 | 101.2 | .. | .. | .. | .. |
| Construction..... | 31.55 | 148.0 | 14.32 | 721.6 | 16.51 | 48.0 |
| Educational..... | 12.30 | 659.1 | 22.05 | 385.9 | 35.82 | 250.1 |
| Encouragement of industry..... | 2.90 | 813.0 | 0.36 | 257.4 | 1.21 | 504.1 |
| Sanitary..... | .. | .. | 4.81 | 795.3 | 5.94 | 546.6 |
| Prison expenses for prefectures..... | 6.70 | .. | .. | .. | .. | .. |
| Bond issue..... | 3.88 | 419.4 | 13.53 | 805.1 | 5.65 | 1,269.4 |
| Office..... | .. | .. | 8.49 | 278.4 | 23.16 | 112.0 |
| Conferences..... | .. | .. | 0.58 | 58.7 | 1.08 | 62.3 |
| Other..... | 26.70 | 102.9 | 35.87 | 427.5 | 10.63 | 979.2 |
| Total..... | 100.00 | 145.6 | 100.00 | 489.7 | 100.00 | 216.4 |

that the percentage of increase was especially remarkable in educational, industrial, sanitation and bond-issue expenditure. This shows how the local governments have been endeavoring to improve education and to develop wealth to keep pace with the central government and help in the advancement of the nation. It was indeed in keeping with the general tendency to encourage the post-bellum enterprises of the nation. Table XII at the end of this chapter¹ shows the percentage of increase in educational, sanitation, industrial and bond-issue expenditure.

The expenditure for education mentioned in the foregoing table refers to that of local communities, that is, for public schools and the general education of the people. The expenditure for sanitation was for preventing disease, for disinfection, and for arrangements for public sanitation. The expenditure for encouragement of industries was made to encourage agriculture, industry and commerce. All these were calculated to help conserve and increase the national power, but appeared in the local government budgets only in connection with the post-bellum enterprises of the nation.

As for the direct financial effects of the war, there must have been various items of expenditure, such as the expense of

¹ *Post*, p. 151.

farewell receptions for the soldiers who went to the front, the relief of the survivors of the dead, and other similar items, which would have increased the expenditure considerably. But the exact data are lacking and, besides, the patriotism of our countrymen, their enthusiasm to serve their country, the ardent desire of the people to relieve their own relatives, have created the sentiment that it is a great honor to die at the front and have lessened the burdens of the local government in relieving the survivors of the dead, so that it will not be far wrong to state that the expenditure for these purposes did not burden the local governments very much.

TABLE I.—EXPENDITURES FOR POST-BELLUM ENTERPRISES, 1894-1903

| Fiscal year | Interest pay- ments and re- demption of war bonds | Extension of defenses | Improvements of railways and telephones | Iron foundry | Subsidies for navigation, ocean traffic and ship- building | Expense of bond issues in connec- tion with post- bellum enter- prises | Total |
|-------------|--|--------------------------|---|--------------|--|--|-------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1894..... | 78,223 | ..... | 2,661,532 | ..... | ..... | 87,708 | 2,827,463 |
| 1895..... | 2,937,055 | ..... | 2,126,170 | ..... | ..... | 216,667 | 5,279,892 |
| 1896..... | 5,422,824 | 17,029,004 | 5,304,614 | 157,529 | 1,014,775 | 375,000 | 29,303,746 |
| 1897..... | 6,082,643 | 59,382,469 | 16,326,085 | 709,224 | 1,260,195 | 1,287,979 | 85,048,595 |
| 1898..... | 6,206,077 | 68,077,424 | 12,476,263 | 1,747,572 | 3,465,998 | 2,840,368 | 94,813,702 |
| 1899..... | 14,096,347 | 71,848,500 | 11,966,747 | 3,011,008 | 5,041,993 | 6,098,380 | 112,062,975 |
| 1900..... | 5,831,054 | 65,613,505 | 19,102,867 | 7,126,198 | 5,547,421 | 15,418,005 | 118,639,050 |
| 1901..... | 5,812,054 | 45,963,040 | 16,958,159 | 6,176,097 | 7,041,737 | 16,327,750 | 98,278,837 |
| 1902..... | 6,670,930 | 31,910,013 | 16,200,232 | 1,003,488 | 7,475,361 | 12,705,500 | 75,965,524 |
| 1903..... | 5,781,084 | 27,604,883 | 15,007,043 | 840,465 | 7,572,691 | 10,330,839 | 67,137,005 |
| Total.. | 58,918,291 | 387,428,838 | 118,129,712 | 20,771,581 | 38,420,171 | 65,688,196 | 689,356,789 |

TABLE II.—EXPANSION OF REVENUE AND EXPENDITURES OF LOCAL COMMUNITIES

| Fiscal year | Prefectures (Do, Fu and Ken) | | Cities and Boroughs | | Towns and Villages | | Total | |
|----------------|---------------------------------|-------------------|---------------------|------------------|--------------------|-------------------|-------------------|-------------------|
| | Revenue | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue | Expenditures |
| 1893. | Yen 31,814,408 | Yen 24,593,801 | Yen 10,010,530 | Yen 4,498,354 | Yen 24,092,044 | Yen 22,451,441 | Yen 65,916,982 | Yen 51,453,596 |
| 1894. | 29,564,486 | 26,002,550 | 10,384,807 | 5,162,694 | 26,281,612 | 24,696,361 | 66,230,905 | 55,861,605 |
| 1895. | 27,735,312 | 24,802,643 | 10,971,171 | 6,242,411 | 28,950,750 | 26,875,827 | 67,657,233 | 57,920,881 |
| 1896. | 41,933,209 | 31,630,455 | 11,125,116 | 7,953,773 | 32,337,160 | 30,153,171 | 84,495,485 | 69,737,399 |
| 1897. | 46,039,194 | 40,047,227 | 13,662,068 | 10,568,795 | 40,866,834 | 38,201,816 | 100,568,096 | 88,817,838 |
| 1898. | 47,639,596 | 41,719,721 | 15,311,641 | 11,279,650 | 46,691,007 | 43,442,879 | 109,042,244 | 96,442,250 |
| 1899. | 56,271,279 | 48,478,005 | 20,286,939 | 15,436,949 | 54,005,200 | 50,139,276 | 130,563,418 | 114,054,230 |
| 1900. | 58,373,689 | 52,022,567 | 25,015,417 | 19,591,252 | 63,413,680 | 59,050,058 | 147,302,786 | 130,663,877 |
| 1901. | 60,152,935 | 53,812,386 | 29,064,758 | 22,763,684 | 71,729,878 | 66,594,477 | 160,947,571 | 143,170,547 |
| 1902. | 65,720,554 | 58,026,046 | 32,565,161 | 26,674,961 | 75,432,026 | 69,941,267 | 173,717,741 | 154,642,274 |
| 1903. | 65,687,820 | 60,182,942 | 33,181,804 | 26,525,665 | 76,360,343 | 71,034,451 | 175,229,967 | 157,743,058 |
| Total. | 530,532,482 | 461,228,343 | 211,579,412 | 156,698,188 | 540,160,534 | 502,581,024 | 1,282,272,428 | 1,120,507,555 |

TABLE III.—EXCESS OF REVENUE OVER EXPENDITURES, 1893-1903

| Fiscal year | Revenue | | Expenditures | | Excess of revenue | Ratio of revenue to expenditures |
|-------------|--------------------|------------|-------------------|------------|-------------------|----------------------------------|
| | Amount | Percentage | Amount | Percentage | | |
| 1893..... | Yen 113,769,381 | 100.0 | Yen 84,581,872 | 100.0 | Yen 29,187,509 | 134.5 |
| 1894..... | 98,170,028 | 86.3 | 78,128,643 | 92.4 | 20,041,385 | 125.7 |
| 1895..... | 118,432,721 | 104.1 | 85,317,179 | 100.9 | 33,115,542 | 138.8 |
| 1896..... | 187,019,423 | 164.4 | 168,856,509 | 199.6 | 18,162,914 | 110.8 |
| 1897..... | 226,390,123 | 199.0 | 223,678,844 | 264.5 | 2,711,279 | 101.2 |
| 1898..... | 220,054,127 | 193.4 | 219,757,569 | 259.8 | 296,558 | 100.1 |
| 1899..... | 254,254,524 | 223.5 | 254,165,538 | 300.5 | 88,986 | 100.0 |
| 1900..... | 295,854,868 | 260.0 | 292,750,059 | 346.1 | 3,104,809 | 101.1 |
| 1901..... | 274,359,049 | 241.2 | 266,856,824 | 315.5 | 7,502,225 | 102.8 |
| 1902..... | 297,341,424 | 261.4 | 289,226,731 | 342.0 | 8,114,693 | 102.8 |
| 1903..... | 260,220,758 | 228.7 | 249,596,131 | 295.1 | 10,624,627 | 104.3 |
| Total..... | 2,345,866,426 | | 2,212,915,899 | | 132,950,527 | |

TABLE IV.—OUTLINE OF GENERAL ADMINISTRATIVE EXPENSES*

| Fiscal year | Treasury | Grants, re-wards and pensions | Educational | Encourage-ment of industry | Communica-tion | Protection and encourage-ment of priv-ate enterprises | Miscel-laneous | Total |
|-------------|------------------|-------------------------------|------------------|----------------------------|------------------|---|-------------------|-------------------|
| 1893..... | Yen 3,181,403 | Yen 1,454,666 | Yen 1,181,697 | Yen 1,556,968 | Yen 7,137,545 | Yen 1,813,484 | Yen 27,131,754 | Yen 43,457,517 |
| 1894..... | 3,119,452 | 2,218,561 | 1,199,599 | 1,363,929 | 9,165,932 | 1,924,004 | 21,313,289 | 40,304,766 |
| 1895..... | 3,457,397 | 2,103,858 | 1,263,442 | 1,456,846 | 9,631,090 | 1,924,688 | 19,743,185 | 39,580,506 |
| 1896..... | 3,687,026 | 3,516,880 | 1,960,610 | 1,850,814 | 15,878,283 | 1,742,999 | 39,842,940 | 68,479,552 |
| 1897..... | 12,768,203 | 3,661,704 | 2,995,471 | 3,100,369 | 29,193,622 | 4,171,049 | 35,569,441 | 91,459,859 |
| 1898..... | 7,706,701 | 3,713,800 | 3,255,934 | 4,160,922 | 27,571,045 | 7,204,161 | 32,378,013 | 85,990,576 |
| 1899..... | 8,889,820 | 4,201,037 | 4,629,580 | 6,612,994 | 31,354,500 | 9,197,737 | 40,693,310 | 105,578,888 |
| 1900..... | 7,758,423 | 4,688,183 | 6,292,389 | 11,514,982 | 42,869,401 | 9,187,553 | 42,424,413 | 124,735,344 |
| 1901..... | 8,574,340 | 8,201,714 | 6,762,648 | 10,970,327 | 40,672,597 | 8,658,660 | 42,681,702 | 126,521,988 |
| 1902..... | 8,319,951 | 5,426,464 | 7,671,463 | 6,802,762 | 41,252,727 | 9,031,403 | 48,782,312 | 127,287,082 |
| 1903..... | 10,231,258 | 5,734,894 | 7,707,674 | 9,820,198 | 40,031,451 | 9,043,449 | 47,324,661 | 129,893,585 |
| Total.. | 77,693,974 | 44,921,761 | 44,920,507 | 59,211,021 | 294,758,193 | 63,899,187 | 397,885,020 | 983,289,663 |

* Other items were the expenses of the Imperial family, the Cabinet, the Privy Council, the Imperial Diet, the Foreign Office, the Home Office, the Judicial Office, the Formosan Expense fund, etc.

TABLE V.—COST OF IMPROVEMENT AND CONSTRUCTION OF RAILWAYS AND METHOD OF DEFAYAL

| Fiscal year | Improvement of existing government railways | | | Construction of new railways | | | Total revenue | | |
|-------------|---|--------------------|------------|------------------------------|--------------------|------------|------------------|--------------------|-------------|
| | Ordinary revenue | Revenue from bonds | Total | Ordinary revenue | Revenue from bonds | Total | Ordinary revenue | Revenue from bonds | Total |
| 1893... | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1894... | ..... | ..... | ..... | ..... | 1,237,556 | 1,237,556 | ..... | 1,237,556 | 1,237,556 |
| 1895... | ..... | ..... | ..... | ..... | 2,661,532 | 2,661,532 | ..... | 2,661,532 | 2,661,532 |
| 1896... | ..... | ..... | ..... | ..... | 2,126,170 | 2,126,170 | ..... | 2,126,170 | 2,126,170 |
| 1897... | ..... | ..... | 1,166,300 | ..... | 3,544,118 | 3,544,118 | ..... | 4,710,418 | 4,710,418 |
| 1898... | ..... | 5,900,162 | 5,900,162 | ..... | 7,952,503 | 7,952,503 | ..... | 13,852,665 | 13,852,665 |
| 1899... | ..... | 3,332,684 | 3,332,684 | ..... | 7,247,460 | 7,247,460 | ..... | 10,580,144 | 10,580,144 |
| 1900... | ..... | 1,950,496 | 1,950,496 | ..... | 8,234,595 | 8,234,595 | ..... | 10,185,091 | 10,185,091 |
| 1901... | 691,752 | 3,839,472 | 4,531,224 | ..... | 12,221,857 | 12,221,857 | 691,752 | 16,061,329 | 16,753,081 |
| 1902... | 451,799 | 2,690,091 | 3,141,890 | ..... | 12,008,681 | 12,008,681 | 451,798 | 14,698,773 | 15,150,571 |
| 1903... | 1,944,451 | 861,409 | 2,805,860 | 7,871,087 | 3,907,752 | 11,778,839 | 9,815,539 | 4,769,161 | 14,584,700 |
| | 2,279,729 | 612,130 | 2,891,859 | 10,969,589 | 877,039 | 11,846,628 | 13,249,318 | 1,489,169 | 14,738,487 |
| Total. | 5,367,731 | 20,352,744 | 25,720,475 | 18,840,676 | 62,019,263 | 80,859,939 | 24,208,407 | 82,372,008 | 106,580,415 |

TABLE VI.—EXPENDITURES FOR FORMOSA ^a

| Fiscal year | Expenditure for Formosan guards, etc. | Subvention fund | Bonds issued for deficit | Total | Bureau of Formosan Affairs | Formosan enterprises | Miscellaneous | Total expenditures |
|-------------|---------------------------------------|-----------------|--------------------------|------------|----------------------------|----------------------|---------------|--------------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1895..... | ..... | ..... | ..... | ..... | 1,435 | ..... | ..... | 1,435 |
| 1896..... | 3,607,935 | ..... | ..... | ..... | 645 | ..... | 89,309 | 7,289,094 |
| 1897..... | 3,878,412 | 5,959,048 | ..... | 5,959,048 | 11,854 | 3,591,205 | 975,928 | 11,866,340 |
| 1898..... | 3,945,620 | 3,984,541 | ..... | 3,984,541 | 3,397 | 1,041,098 | 741,194 | 8,674,752 |
| 1899..... | 4,642,255 | 3,000,000 | 3,200,000 | 6,200,000 | ..... | ..... | 1,206,989 | 12,049,244 |
| 1900..... | 4,450,283 | 2,598,611 | 5,500,000 | 8,098,611 | ..... | ..... | 1,225,783 | 13,784,677 |
| 1901..... | 4,246,743 | 2,386,689 | 4,864,383 | 7,251,072 | ..... | ..... | 769,025 | 12,267,440 |
| 1902..... | 3,587,215 | 2,459,763 | 4,740,000 | 7,199,763 | ..... | ..... | 1,093,397 | 11,880,375 |
| 1903..... | 3,310,148 | 2,459,763 | 4,068,752 | 6,528,515 | ..... | ..... | 1,155,743 | 10,994,406 |
| Total..... | 31,678,611 | 22,848,415 | 22,373,135 | 45,221,550 | 17,331 | 4,632,303 | 7,257,968 | 88,807,763 |

^a This table is not intended to be exhaustive as it includes only the special statistics given out for publication. Under "miscellaneous" the expenses of the naval bureau, of the construction of fortresses at Kielung and Pescadores, and also the miscellaneous expenses of the army department are included.

TABLE VII.—REVENUE COVERING EXPENDITURES FOR FORMOSAN DEVELOPMENT

| Year | Transferred from general account | Transferred from indemnity | Bonds issued | | | Total | Total Revenue |
|------------|----------------------------------|----------------------------|-------------------------|------------|------------------|-------------|---------------|
| | | | Industrial ^a | Railway | Hokkaido Railway | | |
| 1896..... | 21,282,487 | 11,770,872 | 2,416,251 | 3,544,118 | ..... | 5,960,369 | 39,013,728 |
| 1897..... | 4,836,045 | 40,379,314 | 33,401,039 | 7,952,502 | 868,159 | 42,221,700 | 87,437,959 |
| 1898..... | 4,058,834 | 34,187,071 | 34,041,594 | 7,247,400 | 1,097,047 | 42,386,101 | 80,632,006 |
| 1899..... | 8,281,822 | 32,936,905 | 25,762,047 | 8,347,475 | 982,082 | 35,091,604 | 76,010,331 |
| 1900..... | 11,898,756 | 31,240,140 | 22,905,781 | 12,221,857 | 1,007,430 | 36,135,068 | 79,273,964 |
| 1901..... | 8,581,730 | 20,883,428 | 14,223,362 | 12,008,681 | 625,337 | 26,857,380 | 56,322,538 |
| 1902..... | 15,959,491 | 13,866,937 | 3,788,096 | 3,907,752 | 305,185 | 8,001,933 | 37,827,461 |
| 1903..... | 20,798,716 | 9,514,215 | 1,852,805 | 877,039 | 82,659 | 2,812,503 | 33,125,434 |
| Total..... | 95,697,881 | 194,478,882 | 138,390,975 | 56,106,884 | 4,967,899 | 199,465,758 | 489,642,521 |

^a The manifold purposes of the Industrial bonds are shown in Table VIII.

TABLE VIII.—DETAILS OF INDUSTRIAL BONDS FOR FORMOSAN DEVELOPMENT

| Purposes | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|--|-------------|------------------|------------------|------------------|----------------|----------------|---------------|---------------|
| Fortresses constructed.. | Yen | Yen 1,063,847 | Yen 1,910,501 | Yen 1,220,177 | Yen 671,653 | Yen 190,055 | Yen 24,378 | Yen 58,455 |
| Repairs and first supply of necessities..... | .... | 2,533,069 | 1,157,360 | 409,902 | 232,444 | 44,302 | 7,199 | 1,239 |
| Manufacture of arms.... | .... | 431,266 | 2,206,623 | 2,096,382 | 1,743,670 | 479,399 | 29,426 | .... |
| Extraordinary expenses of army construction and extension of arse- nal plant..... | .... | 880,346 | 639,982 | 116,703 | .... | .... | .... | .... |
| Naval expansion..... | .... | 11,853,508 | 19,403,164 | 14,674,492 | 6,942,577 | 3,159,247 | 1,297,911 | 985,215 |
| Establishment of iron foundry..... | .... | 325,519 | 1,708,270 | 3,011,008 | 7,126,178 | 5,852,680 | 390,117 | .... |
| Expansion of telephone exchanges..... | 594,196 | 2,473,420 | 1,896,119 | 1,781,655 | 2,349,786 | 1,807,587 | 1,177,657 | 195,766 |
| Improvement of govern- ment railways..... | 1,166,300 | 5,900,162 | 3,332,684 | 1,950,497 | 3,839,472 | 2,690,091 | 861,409 | 612,130 |
| Construction of Hok- kaido railways..... | 444,167 | 701,819 | 30,715 | .... | .... | .... | .... | .... |
| Capital for leaf-tobacco monopoly..... | .... | 4,000,000 | 1,000,000 | .... | .... | .... | .... | .... |
| Expenses of leaf-tobacco monopoly bureau.... | 211,588 | 3,238,082 | 756,176 | .... | .... | .... | .... | .... |
| Printing of bonds and ex- pense of issue..... | .... | .... | .... | 501,232 | .... | .... | .... | .... |
| Total..... | 2,416,251 | 33,401,038 | 34,041,594 | 25,762,048 | 22,905,780 | 14,223,361 | 3,788,097 | 1,852,805 |

TABLE IX.—RATIO OF ACTUAL EXPENDITURES FOR FORMOSAN DEVELOPMENT, 1896-1903

| Enterprise | Transferred from general accounts | | Indemnity transferred | | Bond issue | | Total |
|---|-----------------------------------|-------------|-----------------------|-------------|-------------|-------------|-------------|
| | Amount | Per-centage | Amount | Per-centage | Amount | Per-centage | |
| | | | | | | | |
| Construction of Hokkaido Railway..... | 3,010,100 | 37.8 | ..... | ..... | 4,955,057 | 62.2 | 7,965,157 |
| Construction expense above mentioned..... | ..... | ..... | ..... | ..... | 1,176,701 | 100.0 | 1,176,701 |
| Establishment of leaf-to-bacco bureau..... | ..... | ..... | ..... | ..... | 4,205,846 | 100.0 | 4,205,846 |
| Capital for leaf-tobacco monopoly..... | ..... | ..... | ..... | ..... | 5,000,000 | 100.0 | 5,000,000 |
| Printing of bonds and expense of issue..... | 1,343 | 0.2 | ..... | ..... | 626,955 | 99.8 | 628,298 |
| Fortresses constructed..... | 9,706,807 | 41.5 | 8,055,415 | 34.5 | 5,594,306 | 24.0 | 23,356,528 |
| Repair and first supply of necessities..... | 14,268,772 | 28.0 | 32,266,181 | 63.4 | 4,385,515 | 8.6 | 50,920,468 |
| Manufacture of arms..... | 11,354,536 | 61.9 | ..... | ..... | 6,986,767 | 38.1 | 18,341,303 |
| Extraordinary expenses of army construction section | 63,293 | 12.1 | 112,737 | 21.6 | 346,755 | 66.3 | 522,785 |
| Extension of army arsenal plant..... | ..... | ..... | 1,654,620 | 56.2 | 1,290,276 | 43.8 | 2,944,896 |
| Naval expansion..... | 12,439,796 | 6.2 | 132,206,828 | 65.1 | 58,316,113 | 28.7 | 202,962,737 |
| Establishment of an iron foundry..... | 921,460 | 4.6 | 579,762 | 2.9 | 18,413,773 | 92.5 | 19,914,995 |
| Extension of telephone exchanges..... | 510,664 | 4.0 | ..... | ..... | 12,276,188 | 96.0 | 12,786,852 |
| Improvement of government railways already built..... | 5,367,731 | 20.9 | ..... | ..... | 20,352,745 | 79.1 | 25,720,476 |
| Railway construction..... | 18,840,676 | 25.2 | ..... | ..... | 55,994,005 | 74.8 | 74,834,681 |
| Total..... | 76,485,178 | | 174,875,543 | | 199,921,002 | | 451,281,723 |

TABLE X.—REVENUE FOR POST-BELLUM ENTERPRISES AND ANNUAL BALANCE

| Fiscal year | War expense indemnity | Compensation for return of Liaotung Peninsula | Interest on indemnity manipulated, increase and decrease | Total revenue | Amount expended | Balance |
|-------------|-----------------------|---|--|------------------------|-----------------|-------------|
| | Yen | Yen | Yen | Yen | Yen | Yen |
| 1895... | 74,143,054 | 44,907,499 | 93,624 | 119,144,177 | 78,957,165 | 40,187,012 |
| 1896... | 83,719,110 | ..... | 911,652 | 84,630,762 | 11,789,389 | 113,028,385 |
| 1897... | 34,869,189 | ..... | 7,071,097 | 41,940,286 | 40,360,796 | 114,607,875 |
| 1898... | 118,341,511 | ..... | 1,341,450 | 119,682,961 | 66,187,071 | 168,103,765 |
| 1899... | ..... | ..... | 311,277 | 311,277 | 82,636,905 | 85,778,137 |
| 1900... | ..... | ..... | 661,313 | 661,313 | 31,240,140 | 55,199,310 |
| 1901... | ..... | ..... | 1,705,783 ^a | 1,705,783 ^a | 20,883,427 | 32,610,100 |
| 1902... | ..... | ..... | 155,337 ^a | 155,337 ^a | 13,866,937 | 18,587,826 |
| 1903... | ..... | ..... | 147,073 | 147,073 | 9,514,215 | 9,220,684 |
| 1904... | ..... | ..... | 57,849 | 57,849 | 3,544,375 | 5,734,158 |
| 1905... | ..... | ..... | 154,009 | 154,009 | 1,709,797 | 4,178,370 |
| Total | 311,072,864 | 44,907,499 | 8,888,224 | 364,868,587 | 360,690,217 | 4,178,370 |

^a Decrease.

TABLE XI.—EXPENDITURES FOR POST-BELLUM ENTERPRISES

| Fiscal year | Redemption of Sino-Japanese War expenses, and transfer to General Accounts Fund | Army expansion | Naval expansion | Establishment of iron foundry | Extraordinary war expenditure and expenses of communication bureau | Amount transferred to the Imperial household and to various funds | Total |
|-------------|---|----------------|-----------------|-------------------------------|--|---|-------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1895... | 78,957,165 | ..... | ..... | ..... | ..... | ..... | 78,957,165 |
| 1896... | ..... | 7,588,356 | 4,043,729 | 157,304 | ..... | ..... | 11,789,389 |
| 1897... | ..... | 16,193,396 | 20,633,455 | 383,156 | 3,150,789 | ..... | 40,360,796 |
| 1898... | 12,000,000 ^a | 8,932,554 | 25,151,519 | 39,302 | 63,696 | 20,000,000 ^b | 66,187,071 |
| 1899... | ..... | 6,053,980 | 26,582,925 | ..... | ..... | 50,000,000 ^c | 82,636,905 |
| 1900... | ..... | 8,121,594 | 23,118,546 | ..... | ..... | ..... | 31,240,140 |
| 1901... | ..... | 5,346,896 | 15,536,531 | ..... | ..... | ..... | 20,883,427 |
| 1902... | ..... | 3,083,189 | 10,783,748 | ..... | ..... | ..... | 13,866,937 |
| 1903... | ..... | 1,258,552 | 8,255,663 | ..... | ..... | ..... | 9,514,215 |
| 1904... | ..... | 94,431 | 3,449,944 | ..... | ..... | ..... | 3,544,375 |
| 1905... | ..... | 108,761 | 1,601,036 | ..... | ..... | ..... | 1,709,797 |
| Total | 90,957,165 | 56,781,709 | 139,157,096 | 579,762 | 3,214,485 | 70,000,000 | 360,690,217 |

^a General Accounts Fund.

^b Imperial Household.

^c Various Funds.

TABLE XII.—PERCENTAGE OF INCREASE IN EXPENDITURES FOR EDUCATION, SANITATION, INDUSTRY AND BOND ISSUE

| Fiscal year | Expenditure for education | | | Expenditure for sanitation | | Encouragement of industries | | | Expense of bond issues | | |
|-------------|---------------------------|--------|--------------------------|----------------------------|--------------------------|-----------------------------|--------|--------------------------|------------------------|--------|--------------------------|
| | Prefec- tures | Cities | Towns and villages | Cities | Towns and villages | Prefec- tures | Cities | Towns and villages | Prefec- tures | Cities | Towns and villages |
| 1893... | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | .. | 100 | 100 |
| 1894... | 121 | 113 | 104 | 114 | 163 | 142 | 623 | 125 | .. | 114 | 137 |
| 1895... | 102 | 115 | 116 | 229 | 417 | 152 | 264 | 113 | 100 | 143 | 205 |
| 1896... | 156 | 146 | 135 | 197 | 396 | 220 | 607 | 287 | 104 | 227 | 252 |
| 1897... | 204 | 203 | 161 | 259 | 421 | 238 | 659 | 636 | 129 | 565 | 361 |
| 1898... | 179 | 227 | 185 | 289 | 722 | 313 | 801 | 384 | 199 | 337 | 495 |
| 1899... | 214 | 298 | 219 | 425 | 1,084 | 374 | 1,153 | 443 | 220 | 401 | 560 |
| 1900... | 204 | 363 | 274 | 703 | 1,017 | 572 | 1,466 | 541 | 376 | 519 | 772 |
| 1901... | 207 | 420 | 330 | 893 | 922 | 705 | 1,706 | 751 | 438 | 689 | 1,051 |
| 1902... | 216 | 443 | 349 | 1,090 | 865 | 960 | 2,345 | 682 | 503 | 895 | 1,294 |
| 1903... | 249 | 486 | 350 | 895 | 647 | 913 | 2,670 | 604 | 519 | 905 | 1,369 |

CHAPTER III

EFFECTS ON THE MONEY MARKET

At the time of the Sino-Japanese War, our economic world bore the burden of war expenses amounting to about 236 million *yen* and met the issue of 100 million *yen* of war bonds. Such an enormous bond issue—and during war time too—had never been heard of before in Japanese history. So the government was careful not to burden the people too heavily, and by employing the Bank of Japan devised a suitable and effective financial policy whereby financial circles were enabled to pass quite tranquilly through the war.

When diplomatic negotiations between Japan and China assumed a serious aspect, in June, 1894, financiers and economists entertained grave anxiety. To understand the situation we must realize that the financial policy of the government at that time was to prevent stagnation in the circulation of capital by restricting the construction of railways. So the Bank of Japan raised the loan interest rate on June 18, 1894, from 1.9 *sen* per diem (6.935 per cent per annum), which had been the rate in force from February 8, 1894, to 2 *sen* per diem (7.3 per cent per annum). The economic world was struck with terror; for, be it remembered, war with a foreign country was something of which the people of Japan had only read in books on history and of which they had not had the least direct personal experience. They were profoundly disturbed by the idea of crossing arms with China—a great nation hoary with age—and feared they knew not what great economic convulsion. The banks throughout the country called in their capital, restricted their loans, and were anxious only to protect themselves; the industrial world, expecting a decrease in the demand for goods during the war, restricted production; the people turned their attention altogether to economy, and commerce shrank; then, again, the Chinese residing in Japan, fearing that as a result of the opening of

hostilities paper currency might greatly fall in price, would not accept anything but silver in payment, and demanded a premium of $1\frac{1}{2}$ per cent on paper currency—so great was the apprehension felt by economic circles!

But when the war began and arms were actually crossed between Japan and China, the Imperial Japanese Army at once won a great victory and there was strong confidence in the minds of the people that the final outcome would be favorable to Japan. This restored confidence in the money market, which then became very firm. When the war bonds were issued, the people were moved by patriotism and the result of the popular subscriptions to the bonds was very good. The interest rate was very low, only 5 per cent, and this had a great effect in quieting the market, because at that time financiers had an idea that if the interest rate on the bonds was very high, general interest rates would become high also.

As had been explained before, the whole financial world was seriously shaken up at the commencement of this international war and at the same time the people in general were deeply influenced toward economy, so that with the exception of the articles of daily necessity and war materials, the demand for merchandise decreased considerably. Then again, owing to the dislocation of land and water transportation facilities on account of the pressing need of transporting troops and war materials, the accumulation and disposition of commercial articles was hindered and consequently the operation of capital was affected seriously. The prices of daily necessities and also of war materials rose at the places of consumption. So commerce experienced great depression and the demand for industrial capital decreased greatly. However, foreign vessels were chartered, and by this means the defect in water transportation facilities was remedied and the circulation of money greatly facilitated. These steps helped somewhat in restoring commercial prosperity.

Furthermore, as regards foreign trade, it was at first expected that trade with China and Korea would be most seriously affected. But the government devised various

means of relief for the China trade, and furnished the needed financial facilities, so that the dislocation of trade proved to be only temporary. After our country had secured control of the sea, especially, the China trade did not suffer seriously. As for trade with Korea, no bad effects from the war were felt there, either, after navigation was made safe. The American route was from the beginning perfectly safe and European trade suffered no ill effects at all. Both routes being free from disturbance, a tendency toward constantly increasing development was shown.

While there was thus no particular disturbance to commerce either at home or abroad, the currency, affected by the war expenditures, was gradually inflated, as is shown in Table I at the end of this chapter.¹

Thus on the restoration of peace (April 30, 1895), compared with conditions at the beginning of the war (June 30, 1894) there was an increase of about 44 million *yen* and on December 31, 1895, of about 85 million *yen*. This inflation of the currency was caused by an increase in the issue of coins and paper currency and by the payments made from the Treasury. These were results of the war expenditure, for this expenditure of about 200 million *yen* was made with various kinds of specie, while the government, as one of its financial measures during war time, spent the money at home as much as possible, so that naturally coin and paper currency increased considerably. The following table will show the facts as to the increase of convertible notes out of paper money.

| Date | Bank-note issue | Specie reserve | Reserve securities | Extra limit issue | Reserve power of issue |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| January 31, 1894..... | 147,372,199 | 84,515,404 | 62,856,705 | .... | 299,973 |
| June 30, 1894..... | 141,736,358 | 79,632,988 | 62,103,370 | .... | 1,302,091 |
| December 31, 1894..... | 149,813,700 | 81,718,291 | 68,095,409 | 4,197,549 | .... |
| January 31, 1895..... | 142,750,092 | 80,924,075 | 61,832,017 | .... | 2,547,265 |
| April 30, 1895..... | 132,839,984 | 68,532,320 | 64,307,664 | .... | 7,618 |
| December 31, 1895..... | 180,336,815 | 60,370,797 | 119,966,018 | 55,083,148 | .... |
| Comparison with June 30, 1894: | | | | | |
| December 31, 1894..... | 8,077,342 ^a | 2,085,303 ^a | 5,992,039 ^a | 5,499,640 ^a | .... |
| December 31, 1895..... | 38,600,457 ^a | 19,262,191 ^b | 57,862,648 ^a | 56,385,239 ^a | .... |

^a Increase.

^b Decrease.

¹ *Post*, p. 196.

Judging from the foregoing table, we find the specie reserve was not greatly affected during the war. Even in the securities reserve there was a certain amount of reserve strength of issue left, so that the financial condition for war time was excellent. After the war the specie reserve rather decreased, and the extra-limit issue was effected; for the effect produced on the securities reserve issue during this period was due to the increase or decrease of the specie reserve as the case might be. The decrease of an enormous amount of specie reserve after the restoration of peace was altogether due to (1) the payments in silver made for war expenses, (2) the paying out of convertible notes, as these were especially demanded by the Chinese merchants, and (3) the unfavorable balance of foreign trade. Aside from these facts, the general condition, as to deposits and loans, of the Bank of Japan and the private banks, as well as the interest rate, remained normal, as we shall explain later; so that except for the precautionary attitude which was taken during war time there was nothing particularly noteworthy in the situation.

Thus we see that during the war finances were in an unusually normal condition. To be sure, an enormous amount of money was spent for the war without any return and 200,000 men were called out of productive industries to the front, thereby restricting the productive power of the nation and causing a change in the industrial order, so that it was impossible to prevent economic changes later, the seeds of which were indeed germinating during the war. Nevertheless it is a fact that conditions similar to those of peace were maintained during war time. The following may be given as the principal reasons why this was possible:

(1) The war itself was a stimulus to the minds of the people, and a potent cause in producing thoughtful, conservative action. We have noted at first how excessive precautions were taken, how the money market at once became tight, demand for capital decreased, owing to fears as to the financial future, and idle capital increased, because owing to the precautions of business men lucrative ways of disposing of it

could not be found. All these things helped to prevent the expected panic in the money market. In other words, money circulation shrank not from real necessity but for psychological reasons.

(2) The financial policy of the government was duly carried out, since (a) stagnation of capital for railway enterprises was prevented, (b) interest on bonds was lowered, (c) special attention was paid to the collection and circulation of the funds secured from bonds, (d) suitable steps were taken for facilitating commercial transactions.

(3) The activity of the Bank of Japan was altogether beyond that necessitated by the consideration of immediate profits for herself, having for its object the securing of the welfare of the nation. Loans were restricted or bonds redeemed and at the same time the fund secured by bond issues was furnished to the people for their use, and the government was supplied with capital as loans to meet the urgent need of war. On the other hand, the convertible notes were controlled and the interest rate was preserved from fluctuation.

(4) Besides the Bank of Japan, the influential banks of Tokyo, Osaka and other cities, in order to facilitate the circulation of money in war time, cooperated with the Central Bank in facilitating the issue of bonds, or subscribed for the bonds themselves and restricted their loans, in order to prevent the equilibrium of financial circles from being disturbed.

(5) The nation expected that, as a result of repeated success at the front, the final victory would be with Japan. The minds of business men were set at ease and there was no further anxiety entertained as to money circulation for the future.

These various reasons combined to quiet the money market in time of war. But this was only a temporary phenomenon. As has been said, the extraordinary financial conditions after the war were being germinated during the war. These conditions led to frequent fluctuations after the war which were only relieved just before the Russo-Japanese conflict.

When the Sino-Japanese War, the only international war

Japan had waged since the Restoration, ended in a glorious victory for Japan, and an enormous indemnity was obtained and the Liaotung Peninsula and Formosa were ceded to us, the Japanese nation first became conscious of her real strength, and various important national movements then had their inception. In the world of thought, the idea of "Japanism," as it was called, was cherished; in the economic world the former pessimism gave place to optimism; while an increase in extravagance together with the gendering of a spirit of enterprise were the results of these national movements.

But before this stimulation produced any substantial results, the interference of the European Powers in the peace negotiations with China came suddenly, dealing a severe blow to the nation. The optimism which had just been expanding was altogether subdued. We shall not take the time or trouble to describe this interference, as it is already a fact well known to the world. Just how it enraged our nation may be realized by recalling the fact that the *Nihon*, a daily newspaper edited by Dr. Yūjiro Miyake, a noted critic, reported the news of the return of the Liaotung Peninsula to the people by issuing an extra headed with these words "Urgent Imperial Message has been issued." . . . "Who that has red blood in his veins will not read it with tears?" And the forty million people affected did indeed look at this unjust interference with bloody tears. The *Taiyo*, a political review, under the title of "Patient, Watchful Waiting," said: "We must repay the good will of the Three Powers, as we are not a nation who would forget the favors of others." Thus the so-called "Patient, Watchful Waiting" and the "Ten-Years' Plan," became the watchwords of the time and gave the people the opportunity to reflect. These watchwords were in keeping with the national movement which was started by the war and led to the realization of the plan of a big army and navy and of replenishing the nation's wealth; thus a heavy burden was laid upon the people owing to the expanded financial program of the government.

However, the depression in economic circles caused by the

retrocession of the Liaotung Peninsula did not last long. The national self-realization, which resulted from the victory, materialized in the world of thought as "Japanism," while in the economic world a national movement was also inaugurated. So, although the spirit of the nation was sadly depressed at first because of the return of the Liaotung Peninsula, in an incredibly short time confidence was restored, as the people were buoyed up by the expectation of a large indemnity to be received from China, and the spirit of enterprise was born again. At this opportune time the Bank of Japan instituted the policy of encouraging enterprises by loosening its purse, so that the spirit of enterprise became widespread, its heartening influence being in inverse ratio to the depression caused by the return of the Liaotung Peninsula. Consequently, the tendency to frugality which was favored during the war was very generally superseded by extravagance, prices rose,—though this was not the only cause,—foreign trade showed an excess of imports over exports, and the business world experienced a complete change. Although, as we have stated before, the "Ten-Years' Plan" was a serious proposition, considering the national strength at the time, yet it was easily executed on account of the rising spirit of the nation; and this enterprising spirit rose as the result of the aforementioned national movement in the economic world. But as during the war industrial capital had been absorbed in war expenditure, and after the war, in the various enterprises undertaken by government and people, capital became suddenly static. Then, besides, the greater part of the indemnity received from China was spent for unproductive purposes, which, so far from helping capitalists, caused the evils which naturally accompany the inflation of currency. Moreover, the securities reserve note issue of the Bank of Japan was increased more and more. The result was the encouragement of a spirit of extravagance, and a rise in prices, which placed various difficulties in the way of materializing the enterprising spirit of the time, and even made political trouble. The ministry was changed several times. Conse-

quently the national movement for progressive enterprises which arose after the war was checked, and the high spirits of the nation were depressed, and finally the financial distress experienced after the war led to a slight panic in 1899. This was not perfectly relieved, and another panic occurred in 1901. The national movement also, which had promised great things at the close of the war, was kept from expanding, and in this condition the nation had to meet the Russo-Japanese War.

The financial ups and downs during the Sino-Japanese War and ten years thereafter have been briefly explained. We shall now proceed to set forth financial conditions during that time by taking up the most important points in connection therewith.

REFORM OF THE CURRENCY SYSTEM

Japan established the gold standard monetary system by Law No. 16, promulgated on March 26, 1897.

The monetary system of our country prior to this time had been based upon the bimetallic system established by the Tokugawa Shogunate in the sixth year of Keicho, 1601, and maintained for 260 years or until the period of the Restoration of Meiji. But whenever financial distress occurred the metallic money was reminted, and except during the reform of the Kyoho period, the weight of the coins was reduced and the quality debased, so that the currency system in this way destroyed itself. In feudal times some among the Daimios coined moneys with their own imprints thereon and issued notes to circulate only in their own territory, and there were 1,600 or more different kinds of notes in circulation. In short, in the last days of the Tokugawa Shogunate our monetary system was at the extreme height of disorder and complexity.

The government attempted to readjust matters in the early part of the Meiji era. In May, 1871, a new currency law was promulgated, thereby laying the basis for the gold-standard system. According to this law, the *yen*, containing 1.5 grams of pure gold about 900 and $1\frac{2}{3}$ grams of alloy was

made the unit of currency. There was besides this system, another with a trade silver *yen*, the same in quality and weight as the Mexican silver dollar current in the Orient as the unit of trade currency. Now the trade silver *yen* was circulated only within open ports. But at that time, inconvertible notes were issued in our country, so that specie flowed out in a great stream, and it was felt that to maintain a gold standard system among silver countries in the Orient was a very difficult task. So in May, 1878, Laws Nos. 12 and 13 were issued, whereby the trade silver *yen* was ordered for general circulation at home, in paying taxes, and for public and private transactions. From that time, Japan became a bimetallic country.

The government, owing to the civil war and other momentous events in the early part of Meiji, found it difficult to meet all its needs by means of Treasury revenue alone. So it was obliged to issue the following varieties of notes in order to secure temporary relief:

| Date of Issue | Total Amount of Issue | Kinds |
|--|--|---|
| (1) Dajokwan Notes (Cabinet) May 15, 1868-Dec. 31, 1869.. | 48,000,000 <i>ryo</i> | 10 <i>ryo</i> , 5 <i>ryo</i> , 1 <i>ryo</i> , 1 <i>bu</i> , 1 <i>shu</i> . |
| (2) Mimbusho Notes (Notes issued by Dept. of People) Sept. 17, 1869-Oct. 31, 1870..... | 7,500,000 <i>ryo</i> (At first it was intended to redeem the Dajokwan notes of small denominations with these notes.) | 2 <i>bu</i> , 1 <i>bu</i> , 2 <i>shu</i> , 1 <i>shu</i> . |
| (3) Convertible Notes by Finance Department, Oct. 12, 1871-Feb. 28, 1872..... | 6,800,000 | 10 <i>yen</i> , 5 <i>yen</i> , 1 <i>yen</i> . |
| (4) Convertible Notes by Colonial Department, Jan. 14, 1872-Mar. 31, 1872..... | 2,500,000 | 10 <i>yen</i> , 5 <i>yen</i> , 1 <i>yen</i> , 50 <i>sen</i> , 20 <i>sen</i> , 10 <i>sen</i> . |

But when the daimiate system was abolished and the prefectural system was established in 1871, the notes issued by different daimiates had to be taken over by the central government; thus it was necessary to increase the notes of the

central government to aid in this adjustment, and finally new government notes were issued. The inconvertible notes suddenly increased to an enormous amount. According to the proclamation of December 27, 1871, concerning the issue of new notes, these notes were to be circulated in exchange for the notes of different daimiates. As a result, the former became inconvertible notes. Then, when the Civil War of 1877 broke out in the southwest, the government was obliged to issue notes to the amount of 27 million *yen* temporarily in order to meet the war expenses. As the notes in circulation exceeded the need of the economic world, there was a sudden rise in the prices of commodities. Furthermore, by Decree No. 104, issued in August, 1876, the law governing national banks (Law No. 349, November 15, 1872) was revised. The regulations allowing the national banks to issue bank notes with 6 per cent bonds redeemable in gold notes as security¹ were revised, so that bonds bearing 4 per cent interest were allowed to be used as security. The maximum total issue of bank notes was fixed at 34 million *yen*. After that, these bank notes were issued in large amounts. But as they were convertible with the currency then in circulation, namely, government paper money, the prices of the notes fell considerably, the prices of commodities rose, the specie flowed out, the imports exceeded the exports, and farmers became extravagant in their expenditures. The evil effects were very serious and one who reviews the history of that period can not but be horrified thereby.

In consequence the government made strenuous efforts to revise the currency system, on the one hand redeeming the notes, and, after the establishment of the Bank of Japan in June, 1882, ordering that bank to issue convertible silver bank notes from May, 1885; and on the other hand, endeavoring to accumulate specie reserve, thereby gradually restoring the credit of the government notes. The market value of the notes increased accordingly, and at the end of 1885 the

¹ These were authorized for the purpose of replacing the government notes then in circulation.

difference between silver and the notes nearly vanished. So from January 1, 1886 (according to Decree No. 14, issued June 6, 1885) government notes could be converted into silver at par. In addition, the plan of redeeming the national bank notes was also established by Decree No. 14, issued in 1883, and thus our country became a true silver standard country. Previous to this, from about 1871, the production of silver all over the world increased and the price of silver showed signs of declining. When Germany, in 1873, established the gold-standard system by utilizing the indemnity received as a result of the Franco-Prussian War and began to dispose of the silver in her possession, the price of silver fell still more. Then when the United States of America, the Latin-Alliance nations, and other countries adopted the gold-standard system, and restricted or stopped the minting of silver coins, thus initiating the policy of excluding silver and gathering in gold, the price of silver fell considerably lower. In 1876, the ratio between gold and silver, in price, was on an average 1 to 17.88. Whereupon the silver-producing countries and those which possessed silver began to discuss methods of maintaining the price of this metal. The United States of America was especially noteworthy, as in 1878 she passed the Brand Law, whereby silver was purchased and minted, and in 1890 the Sherman Law, which extended the scope of the former statute. But both failed to prevent the steady fall in the price of silver. Consequently, Austria-Hungary, in 1892, changed her monetary system, adopting the gold standard, and in 1893 the United States of America revoked the Sherman Law. India also abolished the free coinage of silver. Other countries likewise ceased using silver for coins. As a result, in 1894 the ratio between gold and silver became on an average 1 to 32.56.

After this explanation, it is not necessary to show in detail how Japan, which was virtually a silver-standard country, was affected. On the one hand, following the fall in the price of silver, the exports of our country increased and the prices of commodities rose, so that agricultural, industrial and

commercial circles were benefited and became quite prosperous; but on the other hand, the foreign exchange rate was constantly fluctuating so that those engaged in foreign trade were in danger of monetary losses and could not transact business with the certainty as to profits or losses previously assured, but had to wait idly until the fluctuations in the exchange rate became a little less serious or were obliged to venture forth depending only upon luck. Consequently, transactions became speculative and business dealings with gold-standard countries assumed a state of impasse, which in turn produced an unfavorable result upon the money market. Below we indicate the tendencies of the exchange rates in London, Paris and Berlin:

RATES OF EXCHANGE IN LONDON, PARIS AND BERLIN

| Year | London | | Paris | | Berlin | |
|----------|--------------|--------------|-----------|-----------|-----------|-----------|
| | Highest | Lowest | Highest | Lowest | Highest | Lowest |
| | <i>s. d.</i> | <i>s. d.</i> | <i>f.</i> | <i>f.</i> | <i>m.</i> | <i>m.</i> |
| 1886.... | 3.04.04 | 3.00.13 | 4.21 | 3.79 | 3.35 | 3.03 |
| 1887.... | 3.03.80 | 3.01.32 | 4.19 | 3.93 | 3.34 | 3.13 |
| 1888.... | 3.01.58 | 3.00.05 | 3.95 | 3.79 | 3.16 | 3.01 |
| 1889.... | 3.02.52 | 3.00.36 | 4.03 | 3.84 | 3.22 | 3.06 |
| 1890.... | 3.09.08 | 3.01.10 | 4.73 | 3.92 | 3.78 | 3.12 |
| 1891.... | 3.05.19 | 3.01.32 | 4.33 | 3.93 | 3.46 | 3.15 |
| 1892.... | 3.00.51 | 2.08.64 | 3.84 | 3.43 | 3.08 | 2.75 |
| 1893.... | 2.08.73 | 2.03.87 | 3.44 | 2.92 | 2.77 | 2.36 |
| 1894.... | 2.03.50 | 1.11.50 | 2.87 | 2.45 | 2.31 | 1.98 |
| 1895.... | 2.02.88 | 1.11.13 | 2.83 | 2.43 | 2.27 | 1.96 |

For these reasons, the Japanese Government planned to change the silver-standard system into the gold standard, and in accordance with Imperial Ordinance No. 113, issued on October 14, 1893, appointed a committee to investigate the currency system and to learn the cause of the fluctuation in the prices of gold and silver; also whether there was need of reforming the currency system of our country, because of the economic effects which the fluctuation in the prices of gold and silver produced in Japan, and if there was such need, what system should be adopted. The committee by a majority vote decided to adopt the gold-standard system.

But the reform could not be accomplished by means of a set of laws. A large amount of gold reserve was needed. From 1871 until the gold standard was established, the total amount of silver issued was on its face value 165,133,710 *yen*. It was not an easy matter to accumulate a gold reserve sufficient to convert this amount of silver into gold, and it was necessary to wait for a favorable opportunity. However, an agreement was finally reached whereby the war indemnity of the Sino-Japanese War, which was to have been received in Kuping *taels*, was received in British gold in London. With this amount the gold-standard system was established.

In discussing the proposition of establishing the gold-standard system, some suggested that it would be advantageous to plan the development of trade with gold-standard countries in view of the fall in the price of silver, or objected that if Japan alone should adopt the gold-standard system while various other countries in the Orient were silver-standard countries, she would encounter serious obstacles in carrying on trade with those countries; it was also said that, as the production of gold in our country is too small for our needs, it would be difficult to maintain the gold-standard system permanently, and that when the large amount of silver exported abroad should be reimported into Japan, the nation would meet with great losses. In spite of all these objections, the government decided to adopt the gold-standard system.

While the foregoing were the alleged reasons for making this change, there was still another reason, namely, the money market conditions of that time; for it is plain now that if silver fell, the investment of capital by gold-standard countries in Japan, which was still a silver country, would decrease, and the capital already invested would be recalled. This was not clearly seen at the time, since our finances had received bad effects from the post-bellum undertakings and showed signs of abnormality, resulting in the contraction of the money circulation and the falling of prices of shares in the stock market. Thus the opinion came to prevail in financial circles that if the

gold-standard system were adopted at that time the obstacles between Japan and the gold-standard countries would be removed and the cheap capital of countries more advanced commercially would at once be invested here; for this reason there were not a few who favored the gold-standard system. Accordingly the bill for currency reform was passed by both houses immediately, and by Law No. 16, issued March 26, 1897, the new system was put into operation. Thus from October 1 of the same year, Japan became a gold-standard country.

That the financial world thus desired to see the gold-standard system established because of the conditions which existed at that time may be gathered from the fact that when the news was circulated in the stock market, securities rose in price. A few examples are cited below:

EFFECT OF CURRENCY REFORM BILL ON STOCK EXCHANGE

| | N. Y. K. | Tanko Railway | Sanyo Railway | Kanega- fuchi Spinning | Tokyo Stock Exchange |
|---|------------|------------------|------------------|------------------------------|----------------------------|
| Rumor of Bill being introduced: | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Previous day..... | 78.10 | 87.70 | 53.90 | 60.00 | 369.50 |
| On the day..... | 79.50 | 89.80 | 55.10 | 61.00 | 376.00 |
| Rise..... | 1.40 | 1.10 | 1.20 | 1.00 | 6.50 |
| Introduction in House of Commons: | | | | | |
| Feb. 26..... | 79.50 | 98.80 | 55.10 | 61.40 | 376.00 |
| March 1..... | 81.30 | 99.80 | 56.40 | 62.00 | 386.00 |
| Rise..... | 1.80 | 1.00 | 1.30 | 0.60 | 10.00 |
| Approved by Special Committee of the House: | | | | | |
| Previous day..... | 75.70 | 95.80 | 55.00 | 61.60 | 369.50 |
| March 6..... | 77.30 | 97.30 | 55.20 | 62.10 | 379.00 |
| Rise..... | 1.60 | 1.50 | 0.20 | 0.50 | 9.50 |
| Passed by the House: | | | | | |
| Previous day..... | 76.90 | 97.50 | 55.00 | .... | .... |
| March 12..... | 76.60 | 98.10 | 55.60 | 61.10 | 386.00 |
| Fluctuation..... | 0.30 | 0.60 | 0.60 | .... | .... |
| Passed by Peers: | | | | | |
| Previous day..... | 76.90 | 99.30 | 55.30 | 62.10 | 385.00 |
| March 23..... | 76.60 | 101.10 | 55.70 | 62.10 | 402.00 |
| Fluctuation..... | 0.30 | 1.80 | 0.40 | .... | 17.00 |

EXPANSION OF ISSUE CAPACITY OF CONVERTIBLE NOTES

The revised law governing the issue of convertible bank notes issued in March, 1899, raised the amount of the securities reserve issue from 85 million *yen* to 120 million *yen*. This was due to the fact that the government believed the increasing stringency of the money market indicated a shortage of capital or currency (bank notes), and previous to that period the bank notes were almost always issued in excess of the settled limitation. What, then, was the condition of the extra-limit issue of notes? Before we discuss this matter, we must describe the securities reserve issue of notes by the Bank of Japan, especially the history of the extra-limit issue.

The Bank of Japan was established as a central bank on October 10, 1882, at the time when inconvertible notes (both government and bank notes) fell in price, in order to meet the emergency, in accordance with Decree No. 32, issued on June 27, 1882, setting forth the purpose of the bank. Beginning from September 8, 1886, the bank's notes were issued, in accordance with Decree No. 18 of May 26, 1885, regulating the issue of convertible bank notes.

At first the bank was required to keep only a reasonable amount of reserve specie to redeem the bank notes issued.¹ The Minister of Finance occasionally suggested the amount of notes to be issued, and the reserve for the exchange was at first limited to specie. But later the government notes and bank notes were constantly being adjusted, so that at the end of June, 1889, the amount of government notes on hand was 49,337,248 *yen*, and of bank notes 28,059,486 *yen*. Comparing these figures with the highest amounts of the various notes in circulation, we see what an extraordinary amount of redemption had been effected.

As there were 49,177,864 *yen* worth of notes on hand on the last day of June, 1888, there was after all a decrease of 43,582,880 *yen*. Consequently, the currency decreased considerably in amount. So the government firmly established

¹ Article 2 of the same decree.

REDEMPTION OF BANK NOTES

| Notes | Date | Highest amounts of various notes in circulation | Amount June 30, 1888 | Decrease, June 30, 1888 compared |
|------------------------------------|---------------|---|----------------------|----------------------------------|
| | | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Government notes.. | Feb. 28, 1878 | 141,274,862 | 49,337,248 | 91,937,615 |
| National bank notes. | Feb. 28, 1879 | 28,347,876 | 28,059,486 | 288,390 |
| Total amount of various notes..... | Jan. 31, 1880 | 170,157,477 | 77,396,733 | 92,760,744 |

the system of conversion and in addition decided that the time to do away altogether with the former currency system had now come. So the laws governing the issue for the conversion of the convertible bank notes were revised. While in principle issuing bank notes with gold and silver specie or gold and silver bullion as a reserve (that is, an issue based upon the specie reserve), the Bank of Japan was allowed at the same time to issue bank notes to the maximum limit of 70 million *yen* with government or other reliable securities or commercial documents as a guarantee.¹ In case of need the bank was permitted to increase the bank notes according to the market conditions, and to issue notes with the foregoing securities as a guarantee by paying to the government a tax on the issue at a rate of over 5 per cent per annum on the amount of the issue, after the permit of the Minister of Finance had been obtained.² This was based upon a lesson learnt from the principle of indirect restriction (*Konzinsentierung*) or the elasticity method of note issue followed by the Imperial Bank of Germany, and the Bank of Japan performed thereafter an important service as a steadier of the money market and the supplier of capital. Then, on March 3, 1890, for the first time there was 300,000 *yen* worth of the extra-limit issue. The highest amount was 500,000 *yen*, between March 10 and April 1. This was due to the fact that at that time, owing to the rise in the price of rice, the

¹ Of this amount, 27 million *yen* was issued gradually, with the amount of the redemption of the national bank notes since January 1, 1889, as the limit.

² This was the securities reserve issue.

adverse balance of foreign trade, the reactionary influence on the rise of the enterprising spirit, and other causes, the money market showed the prevalence of abnormal conditions. But the government construed this fact as indicating that as a result of the spirit of enterprise which had sprung up since 1887, various enterprises would develop rapidly, foreign trade would also be extended and the demand for the bank notes in circulation in the economic world of Japan would increase. So at length by Law No. 34, issued May 16, 1890, the amount of the securities reserve issue was increased from 70 million *yen* to 85 million *yen*. This was the opening wedge in the extension of the securities reserve issue, which we are to discuss here. The government, influenced by the experience of some nine years thereafter, ultimately increased the amount to 120 million *yen*. Let us describe the actual occurrences of these years.

A reaction following the relaxing of the money market since 1891 was shown in the latter half of 1893. Foreign trade showed an adverse balance. Furthermore, on the breaking out of the Sino-Japanese War, the second extra-limit issue took place. From December 29, 1894 (3,272,721 *yen*), to January 12, 1895, the highest amount was 4,197,549 *yen* at the end of December, 1894, and the average amount was 2,211,054 *yen*.

In April, 1895, a peace treaty with China was formulated. But owing to the return of the Liaotung Peninsula the people of Japan were downcast and the economic world greatly depressed. But as a result of the third extra-limit issue, on May 28, for the purpose of obtaining a loan for the government, and also because the Bank of Japan had instituted the policy of reviving finances by lowering the interest rate on loans, this extra-limit issue was continued from the end of May, 1905 (1,993,433 *yen*), to May 19, 1906; at the end of 1905 the amount reached 55,083,147 *yen*, the average amount throughout this period being 29,100,731 *yen*. This was an enormous amount, indeed. As the extra-limit issue of that time was due to the loans by the government, when the regu-

lations as to the disposal of deposits of the indemnity were established in May, 1896, this extra-limit issue was discontinued. Then, in the latter half of 1897, the reaction from the postbellum spirit of enterprise, the rise in the prices of commodities, and the adverse balance of foreign trade became both causes and effects in themselves, so that from July 24, 1893 (455,306 *yen*) until September 14, 1898, extra-limit issues were sent out four times, with a maximum amount of 47,312,657 *yen* at the end of 1897, and an average of 25,044,485 *yen*. The reason for the withdrawal of the extra-limit issue was that the government had purchased the war and consolidating bonds from April, 1898, and the money market had relaxed, and also that the government, in order to pay for the purchase of the bonds with the money borrowed on the indemnity deposits, had returned the convertible notes of the extra-limit issue which had been borrowed from the Bank of Japan. In short, the extra-limit issue of the securities reserve was transformed apparently into the specie reserve convertible notes.

But from October 26, 1898, especially from December 16, until February 21, 1899, an extra-limit issue of notes was again sent forth several times in succession, with a maximum amount of 24,016,568 *yen* at the end of December, 1898, and an average of 3,287,195 *yen* on the first occasion (from October 26 to November 7), 1,454,144 *yen* on the second occasion (from November 27 to December 1), and 8,254,165 *yen* on the last occasion (from December 16 to February 21, 1899). We shall briefly present below the average and the maximum amounts of extra-limit issues since the securities reserve issue was increased to 85 million *yen*:

| Duration | Average | Maximum |
|------------------------------------|------------|------------|
| | <i>Yen</i> | <i>Yen</i> |
| Dec. 29, 1894-Jan. 12, 1895. | 22,111,054 | 4,197,549 |
| May 31, 1895-May 19, 1896. | 29,100,731 | 55,083,147 |
| July 24, 1897-Sept. 14, 1898. | 25,044,485 | 47,312,657 |
| Oct. 26, 1898-Nov. 7, 1898. | 3,287,195 | 8,110,818 |
| Nov. 27, 1898-Dec. 1, 1898. | 1,454,144 | 1,667,027 |
| Dec. 16, 1898-Feb. 21, 1899. | 8,254,165 | 24,016,568 |
| Total average. | 14,875,296 | |

That the actual results of the extra-limit issue were as described above is proved by the fact that the government and people of Japan raised the amount of the legal guarantee reserve issue from 85 million *yen* to 120 million *yen*.

The relation between the amount of the legal guarantee reserve issue and the demand for capital by the financiers of any nation is so well known to economists that there is no use of enlarging upon it here. But if we reflect a little we shall see that the extra-limit issue only signifies that the amount of the bank note issue has exceeded the limit established by law, whereas the so-called legal limit is not the limit of the first instance, but one based upon a fluctuating specie reserve issue. Hence it is not proper to judge the demand for capital in the economic circles of a country by this fact alone. We should observe also the specie, the guarantee reserve issue, and the total amount of the issue. Then, again, the legal extension of the amount of guarantee reserve issue permitted has given the Bank of Japan considerable power to supply capital, and as she would not be likely to neglect this opportunity to benefit herself, and as the economic world would eagerly appropriate this supply of cheap money, the currency in circulation would greatly increase and its effect upon general economic conditions in the country would not be slight. Accordingly, the discussion of the propriety of extending the issue would be a link in the discussion of post-bellum economy.

Table II at the end of this chapter¹ shows the amount of bank note issues since 1894, when the extra-limit issue first appeared, and Table III² shows the increase and decrease compared with 1893.

As shown in the foregoing tables, the bank note issues rapidly increased during this time. But there is one thing to be noted, namely, that during the foregoing period the convertible notes of the Bank of Japan were not the only paper currency issued. So we must consider the entire volume of paper currency in circulation during this period.

¹ *Post*, p. 197.

² *Post*, p. 198.

PAPER MONEY IN CIRCULATION, 1893-1899

| At end of year | Government notes | National bank notes | Convertible notes of Bank of Japan | Total | |
|------------------|------------------|---------------------|------------------------------------|---------------|----------------------|
| | | | | Amount | Comparison with 1893 |
| | Yen | Yen | Yen | Yen | |
| 1893..... | 16,407,000 | 22,756,110 | 148,663,128 | 187,826,247 | 100.0 |
| 1894..... | 13,404,547 | 21,781,797 | 149,813,700 | 185,000,044 | 98.5 |
| 1895..... | 11,129,224 | 20,796,786 | 180,336,815 | 212,262,825 | 113.0 |
| 1896..... | 9,376,172 | 16,497,889 | 198,313,896 | 224,187,957 | 119.4 |
| 1897..... | 7,451,098 | 5,024,729 | 226,319,058 | 238,794,885 | 127.1 |
| 1898..... | 5,411,726 | 1,866,563 | 197,399,901 | 204,678,190 | 109.0 |
| 1899 (Feb.)..... | 5,293,724 | 1,684,065 | 181,218,176 | 188,195,965 | 100.2 |
| 1899 (Dec.)..... | 4,125,783 | ..... | 250,562,040 | 254,687,823 | 135.6 |
| Total..... | 72,599,274 | 90,407,948 | 1,532,626,714 | 1,695,633,936 | ..... |

From the foregoing tables, it will be seen that while the increase in the notes issued by the Bank of Japan was great, yet these notes, except when required by the natural demands of the economic world, were issued to replace the government notes and bank notes which were in process of gradual adjustment or extinction, and that in reality the total volume of the paper currency rose and fell in turn without showing any very great permanent increase.

Moreover, the extra-limit issue of the convertible notes of the Bank of Japan was effected in many instances when there was a decrease in specie.

The extra-limit issues of May, 1895, and July, 1897, both coincided with the decrease in the specie reserve. But in financial circles there was always need of a certain fixed amount of convertible notes. In case the amount of the issue of convertible notes fell below what was necessary, because of a decrease in the specie reserve, it may naturally be inferred that by some other method—the guarantee reserve issue, for instance—the deficiency would be met, and that the cause of the increase on the guarantee reserve issue lay, aside from the government loans, in the increase in industrial loans made to the people generally. That the loans made by the Bank of Japan increased extraordinarily is shown in Table IV at the end of this chapter.¹

¹ *Post*, p. 199.

EXTRA-LIMIT ISSUES OF CONVERTIBLE NOTES

| At end of | Specie reserve | Decrease compared with month's end, from standard | Bank note issue | Extra-limit issue |
|----------------------|----------------|---|-----------------|-------------------|
| 1895 | <i>Yen</i> | | <i>Yen</i> | <i>Yen</i> |
| April..... | 68,532,320 | Standard | 132,839,984 | .... |
| May..... | 66,199,000 | 2,333,320 | 132,573,715 | 1,993,433 |
| (June–Nov. omitted) | | | | |
| Dec..... | 60,370,797 | 8,161,523 | 180,336,815 | 55,083,148 |
| 1896 | | | | |
| Jan..... | 54,890,176 | 13,642,144 | 171,211,604 | 50,937,636 |
| Feb..... | 54,589,146 | 13,943,174 | 164,408,373 | 44,434,259 |
| March..... | 55,347,002 | 13,185,318 | 157,141,819 | 36,409,048 |
| April..... | 55,574,499 | 12,957,821 | 154,748,631 | 33,786,956 |
| May..... | 106,308,649 | 37,776,329 ^a | 165,837,762 | .... |
| (June–Dec. omitted) | | | | |
| 1897 | | | | |
| (Jan.–May omitted) | | | | |
| June..... | 119,437,064 | Standard | 195,302,669 | .... |
| July..... | 109,780,678 | 9,656,386 | 198,728,088 | 10,325,196 |
| (Aug.–Nov. omitted) | | | | |
| Dec..... | 98,261,473 | 21,175,591 | 226,229,058 | 47,312,657 |
| 1898 | | | | |
| Jan..... | 91,568,364 | 27,868,700 | 212,003,989 | 39,529,488 |
| Feb..... | 83,626,224 | 35,810,840 | 195,297,483 | 30,626,515 |
| Mar..... | 74,651,152 | 44,785,912 | 195,889,761 | 39,658,322 |
| (April–July omitted) | | | | |
| Aug..... | 88,498,228 | 30,938,836 | 186,361,320 | 14,681,165 |
| Sept..... | 91,307,480 | 28,129,584 | 174,472,809 | .... |
| Oct..... | 88,468,720 | 30,968,344 | 180,122,704 | 8,110,818 |
| Nov..... | 90,180,017 | 29,257,047 | 177,581,079 | 3,677,028 |
| Dec..... | 89,570,239 | 29,866,825 | 197,399,901 | 24,016,569 |

* Increase.

The origin of the extra-limit issue and the increase in loans being as just stated, we see that the government considered the limit of the guarantee reserve issue too small; especially since, owing to the stringency of the money market at that time, commercial and industrial circles desired the legal limit of the issue to be extended and the powers of the Bank of Japan to be increased. Moved by this request, the government extended the legal limit by Law No. 55, issued March 9, 1898, and applied 15 million *yen* out of the 35 million *yen* increase to the relief of the domestic money market, thereby

opening the way for high-class exchange transactions, the discounting of checks, and an increase in branch banks. At the same time, 20 million *yen* were applied to relieve the stringency of the money market and facilitate transactions with Europe, America and the Orient. The Yokohama Specie Bank was ordered to engage in the work of facilitating the China trade especially.

But we believe it was a mistake, in view of existing conditions at that time, to extend the legal limit of the guarantee reserve issue merely because of the frequency of extra-limit issues, without first investigating what the reason was for the increase in convertible notes. We do not mean to argue at length as to the merit of the policy here. We only wish to make it clear how this procedure disturbed the money market after the war and created an unfavorable effect upon the national finances. For even if the amount of the guarantee reserve issue had been determined by law, it would not have bound economic circles; and even if the issue of notes should go beyond the legal limit, it would not menace the financial interests, so that the extension of the legal limit by 35 million *yen* as mentioned above had no practical significance at all. But the extension of the amount of issue exempted from taxation allowed the Bank of Japan has given that bank great power to furnish capital—such that if this power were employed wrongfully, bank notes would be at a premium and this would have serious effects upon finance. Then, again, our financiers and economists, drunk with the glory of victory after the Sino-Japanese War, were about to make great strides ahead when Japan was obliged to return the Liaotung Peninsula. The people suddenly became pessimistic. So the government adopted a liberal policy and ordered the Bank of Japan to lower the rate of interest.¹ This was done in order to encourage the people, so that optimism might be gradually restored and the people realize that they need no longer remain depressed. They accordingly took courage

¹ At that time the discount rate was 2 *sen* 1 *rin* per diem, that is 7.665 per cent, which was changed to 1 *sen* 9 *rin* per diem, that is 6.935 per cent.

and became enthusiastic over post-bellum enterprises; the demand for capital for army and naval expansion and for the prosecution of said enterprises increased enormously, and finally a great financial panic occurred, as is mentioned later.

Thus the sudden increase in capital after the war was due partly to the need of the government, but not a little to the deliberate policy of the government and the Central Bank. Consequently, the development of a sudden demand for capital as described heretofore can not be considered the result of a healthy development, or a natural evolution in the economic life of the people; for in economic development there are true and false tendencies. That financial circles which have shown a tendency to great activity should suddenly shrink from advancing is a phenomenon to be observed only in a period of speculation and vainglory. The conditions in the financial circles of our country after the Sino-Japanese War were indeed such. Judged from these facts, the arguments advanced in favor of extending the amount of the guarantee reserve issue based upon the phenomena resulting from this false tendency may be considered as castles in the air, with great instability of foundation. They can not escape the criticism of inconsistency.

As has been said, the extension of the amount of the guarantee reserve issue can not properly be considered necessary, judging from the point of view of a dispassionate critic. On the contrary it poured oil on the prairie fire of the false phenomena of financial circles in order to cause an increase in the issue of convertible notes and may be considered as one cause of unsteadyng the money market. If we remember that the so-called extension of the issue by 35 million *yen* is 22 per cent of 158,517,000,000 *yen*, which was the average amount of the issue between 1893 and 1898, it is not difficult to see how great the effect must have been.

Before closing this section we would call attention to Table V at the end of this chapter, which shows the amount of the issue at the end of each year since 1899.

INCREASE OF MONETARY FACILITIES

Necessitated by the national development after the Sino-Japanese War, the increase and reform of monetary facilities were planned by the government. In the first place the business of the Bank of Japan and of the Yokohama Specie Bank was enlarged, the Hypothec Bank and the Bank of Agriculture and Commerce were established, and in addition industrial banks and the Bank of Formosa were newly established, in order to meet the needs of the time; and, secondly, a wise disposition of the national banks was made and the causes of economic troubles were removed. The ordinary monetary institutions of Japan had been largely reorganized before the Sino-Japanese War; i.e., on July 1, 1893, a commercial statute was put into force followed by banking regulations¹ and savings bank regulations,² and thus the banking business, which had been under imperfect control before, now entered upon a new era of development. Numerous banks were established at this time. But the Bank of Japan and the Yokohama Specie Bank, national banks authorized with the power to issue notes and a few private banks and savings banks may be especially mentioned. Consequently, facilities for supplying capital for commercial purposes seem to have been rather general throughout the country. But the banks for realties and securities had not yet been established. As for facilities for agriculture and industry, there was also a great lack here.

Consequently the government made endeavors to improve monetary facilities, and thus meet the needs of the time. For example, the Hypothec Bank of Japan, the Bank of Agriculture and Industry, and the Colonial Bank of Hokkaido were established for real property, the Industrial Bank of Japan for securities and the Bank of Formosa to meet the needs in the newly acquired territory of Formosa. As to the Bank of Japan and the Yokohama Specie Bank, the government, in order to increase their usefulness after the war,

¹ Law No. 72, August, 1890.

² Law No. 33, August, 1890.

allowed them either to increase their capital or to increase the amount of the securities reserve issue,¹ thereby increasing the loaning power of the banks so that they might contribute toward the betterment of finances after the war.

The following record will enumerate the various advance steps made at this time:

(1) The Bank of Japan increased her capital by 10 million *yen* in August, 1895, thus raising her authorized capital from 20 million *yen* to 30 million *yen*.

(2) The Yokohama Specie Bank increased her capital by 6 million *yen* in March, 1896, thus raising her authorized capital from 6 million *yen* to 12 million *yen*.

(3) The Hypothec Bank of Japan (the bank dealing with real property) opened her doors in August, 1897.

(4) In each prefecture a bank of agriculture and industry was established between February, 1898, and August, 1900, —forty-six banks in all.

(5) The national banks (153 in number) became private banks in February, 1899, and the circulation of national bank notes was prohibited from December 9 of the same year.

(6) The Bank of Japan was permitted to increase the amount of her securities reserve issue in March, 1899, by 35 million *yen*, making the total 120 million *yen*.²

(7) The Yokohama Specie Bank increased her capital in September, 1899, by 120 million *yen*, making her authorized capital 24 million *yen*.

(8) The Bank of Formosa was opened September, 1903.

(9) The Colonial Bank of Hokkaido was opened April, 1900.

(10) The Industrial Bank of Japan was opened April, 1902.

For several years after the war, a period of reform ensued as regarded monetary institutions. The money market, which had already been adjusted to conditions before the war, had now to be steadied by the aid of special banks operated in all directions, so that no more complaints might be raised about the lack of financial facilities. In short, the ten years

¹ By Law No. 55, March 9, 1899, the amount was increased from 85 million *yen* to 120 million *yen* as before described.

² Cf. section on expansion of issue capacity of convertible notes, p. 166.

after the Sino-Japanese War might be designated as the period for perfecting financial facilities. The steady national development after the war and the solid as well as remarkable achievements of national finance may be said to have been due largely to the financial policy of the government. Of the financial policies mentioned above, we have already dealt with one in detail, viz., the extension of the securities reserve issue (in the section on expansion of issue capacity of convertible notes). We shall now take up the remaining subjects.

The Yokohama Specie Bank

The Yokohama Specie Bank, at the end of 1893, that is, the year previous to the Sino-Japanese War, had an authorized capital amounting to 6 million *yen* (with a paid-up capital of 4,500,000 *yen*). But after the war her business gradually increased. Since February, 1896, the London branch of the bank acted as agent for the Bank of Japan, by taking charge of the indemnity received from China and disposing of it. On July 1, 1895, the Shanghai agency of the bank, which had been closed owing to the Sino-Japanese War, was reopened. On September 15, 1896, an agency was opened at British Hongkong. Furthermore, in July, 1894, increased capital was required by the bank with a view to opening an agency at Bombay, India. So, on March 25, 1896, the authorized capital was increased to 12 million *yen*. In September, 1899, this amount was doubled, thus becoming 24 million *yen*. A branch was established at Tientsin (August, 1899), at Neuchang (August, 1900), and at Peking (January, 1902), thus extending the sphere of activity in China. A further advance was made in September, 1901, when the by-laws of the bank were revised so that, in case business transactions abroad required it, the various branches and agents would have power to issue notes payable on sight. In November, 1902, for the first time, such drafts were issued by the Tientsin branch of the bank; in December, by the Shanghai branch; in January, 1903, by the Neuchang branch; and in March by the

Peking branch. The conditions of loans from 1893 showed a sudden development about 1899, as will be seen from Table VI at the end of this chapter.

Realty banks

Three kinds of banks were established to deal in real property, as given below:

| Name | Law governing | No. | Authorized capital | Paid-up capital at time of establishment | Opening |
|--|--|-----|--------------------------|--|--|
| Hypothec Bank of Japan . . . | No. 82, April 20, 1896 . . . | 1 | <i>Yen</i> 10,000,000 | <i>Yen</i> 2,500,000 | Aug. 2, 1897 |
| Bank of Agriculture and Industry . . . | Nos. 83 and 84, April 20, 1896 | 46 | 28,370,000 ^a | 22,923,485 ^b | First on Feb. 1, 1898, and last on Aug. 17, 1900 |
| Colonial Bank of Hokkaido. | No. 76, March, 1899 | 1 | 3,000,000 | 1,050,000 | April 1, 1900 |

^a Average per bank, 616,739 *yen*.

^b Average per bank 498,337 *yen*.

The province of these three kinds of banks was lending money for long terms on real property and at a low rate of interest (in case of the Colonial Bank of Hokkaido, agricultural products or shares or bonds might be used as security in place of real property). The object was to improve and develop agriculture and industry. The Hypothec Bank of Japan was established in Tokyo as the central bank for real property, and also one in each of the several prefectures.¹ These banks were to cooperate with the Hypothec Bank in order to supply capital for agriculture and industry. As to the province of the Colonial Bank of Hokkaido, it was not fundamentally different from that of the Banks of Agriculture and Industry, but whereas (1) the shareholders of the Banks of Agriculture and Industry were confined to those who had their residence registered and were actually residing in the prefectures in which the banks were situated, and (2) the amount of subsidy from the government was limited to 5 per cent of the paid-up capital per annum, in the Hokkaido Bank

¹ *Fu* and *ken* "prefectures" are terms designating administrative districts and first-class local organizations, and their number is 46, that is, 3 *fu* and 43 *ken*. The differences between *fu* and *ken* are historical rather than substantial.

these regulations were not and could not be enforced. So, in order to permit special regulations for this bank a separate law was enacted. The amounts expended by the government as subsidies in the establishment of the banks for real property, as mentioned above, are as follows:

GOVERNMENT SUBSIDIES TO BANKS

| Year | Subsidy to Hypothec Bank of Japan | Subsidy to Banks of Agriculture and Industry | Subsidy to Colonial Bank of Hokkaido | Total |
|-----------|-----------------------------------|--|--------------------------------------|------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1897..... | 55,052 | 1,138,320 ^a | .... | 1,193,372 |
| 1898..... | 30,010 | 6,216,680 ^a | .... | 6,246,690 |
| 1899..... | 30,873 | 688,620 ^a | 250,000 | 969,493 |
| 1900..... | .... | 155,000 ^a | 250,000 | 405,000 |
| 1901..... | .... | 5,000 | 200,000 | 205,000 |
| 1902..... | .... | 5,000 | 200,000 | 205,000 |
| 1903..... | .... | 5,000 | .... | 5,000 |
| Total.... | 115,935 | 8,213,620 | 900,000 | 9,229,555 |

^a 5,000 *yen* each year (total 20,000 *yen*) were subsidies to the Bank of Agriculture and Industry in Okinawa Prefecture (Loochoo).

Not only were the foregoing amounts actually expended as subsidies, but in the case of the Banks of Agriculture and Industry and the Colonial Bank of Hokkaido, immunity was given from paying dividends to the government for the shares in its possession for a certain number of years. These arrangements helped greatly to realize the object of the subsidies.

The establishment of banks dealing with real property has been advocated from about 1882. But in order to perfect this plan capital for long terms and at low rates of interest was needed. At that time, however, the general interest rate was very high. Some of the national bonds bore more than 7 per cent interest, so that it was not possible to secure low-priced capital. Consequently, it was a matter of the utmost difficulty to secure by means of bond issues amounts several times larger than the capital of the banks. Moreover, the value of land as security was very low, and the circulation of money was not yet free; further, in order to realize profits from agriculture, a longer term is needed for

loans than is usually allowed by commercial banks. This was the reason why, although financial institutions for facilitating commercial transactions had been developed, banks for real property had not yet been established; thus the capital needed for agriculture and industry was lacking, and consequently their full development could not readily be effected.

But the tendency in the money market was toward a gradual fall in the interest rate. In addition, the price of bonds rose. With the promulgation of the law concerning consolidated bonds in 1886, bonds bearing high interest disappeared and the price of bonds showed signs of a steady rise. Thus a favorable opportunity for establishing banks for real property had come. When the Bank of Japan lowered the rate of interest after the Sino-Japanese War, the prices of securities rose. On account of anxiety as to the inflow of the indemnity the interest rate was lowered, bonds and shares rose in price, and the proposal to issue bonds to secure capital to be loaned by the banks for real property was received with great favor. At last the laws governing the Hypothec Bank of Japan and the Banks of Agriculture and Industry were promulgated. We shall now briefly explain the method of organization.

(A) The Hypothec Bank of Japan and the Banks of Agriculture and Industry were closely related to each other. Both aimed at loaning capital for the improvement and development of agriculture and industry, with real property as security. The difference between the two was only that of size and position; that is, the Hypothec Bank was the central bank, while local Banks of Agriculture and Industry were established in the different prefectures. The Hypothec Bank lent capital to the Banks of Agriculture and Industry by taking the bonds issued by the latter banks. The Banks of Agriculture and Industry acted as agents for the Hypothec Bank. The two helped each other in supplying capital to agriculture and industry.

(B) The capital of the Hypothec Bank was 10,000,000 *yen* and its shares were valued at 200 *yen* each, whereas the

capital of the various Banks of Agriculture and Industry was not more than 200,000 *yen* each, and their shares were valued at 20 *yen* each. There was only one Hypothec Bank established in Japan, whereas the other banks were numerous—one in each prefecture—and their shareholders were required to have their residences registered, and actually to live in said prefecture.¹

In accordance with the purpose for which they were established, the loans were made with real property as security,² and on the annual instalment system. In the case of the Hypothec Bank these were fifty-year, and in the case of other banks, thirty-year instalments. In addition, loans might be made on a system of regular instalments for five years, the limit being one-tenth of the amount mentioned above (Hypothec Bank) or one-fifth (Banks of Agriculture and Industry).

(C) The capital was represented principally by the capital of each bank, but the most important matter to be considered was the issue of bonds.

When one-fourth or more of the capital was paid up, the Hypothec Bank might issue bonds to within ten times the paid-up capital and not exceeding the amount of the loans payable by annual instalments and the amount of the accepted bonds of the Banks of Agriculture and Industry, while the Banks of Agriculture and Industry might issue bonds to within five times the paid-up capital and not exceeding the loans by annual instalments minus the amount borrowed from the Hypothec Bank. The bonds were valued at 10 *yen* and upward with premium in the case of the Hypothec Bank, and at 5 *yen* and upward in the case of the Banks of Agriculture and Industry. The reason why the values were fixed so low was because thus the banks might be able to gather in small amounts as capital.

(D) These two kinds of banks were under the control of the Minister of Finance. In case the dividends of the Hy-

¹ The registry of residence means registry in the locality where is kept the book of registry of the family of which one is a member.

² Public corporations were exempted from furnishing this security.

pothec Bank should fall below 5 per cent, the Bank was to receive a subsidy for ten years from the time of its establishment. In the case of the Banks of Agriculture and Industry the various prefectures, in accordance with the law of subsidy to the Banks of Agriculture and Industry¹ were to be allowed to have capital to invest in the shares of the Banks to the limit of 70 *yen* per hundred *cho* of taxable land, not including house lots, mineral-water sites, or swamp grounds of the various prefectures; also to the limit of a total of 300,000 *yen* per prefecture and not exceeding one-third of the paid-up capital. Further, from the time of the establishment of the banks it was arranged that no dividends should be required for ten years for the shares subscribed by the prefectural governments, and for 5 years more the dividends should be included in the reserve fund. We shall explain later about the amount supplied.

In this way, middle-class farmers and industrialists who had been inconvenienced by the high rates of interest universally prevalent gained relief.

In accordance with the foregoing system, the Hypothec Bank was established in June, 1897, with a capital of 10 million *yen* and a paid-up capital of 2½ million *yen*. The doors of the Hypothec Bank were opened August 2, 1897.

A Bank of Agriculture and Industry was established in each prefecture, the first being the one in Tokyo prefecture established on December 28, 1897, and the last being the one established in Tokushima prefecture on August 9, 1900—forty-six in all. At the end of December, 1900, the year in which the establishment of the Banks of Agriculture and Industry was completed, the total amount of authorized capital was 28,370,000 *yen*, and the total paid-up capital 22,923,485 *yen*, of which 8,178,620 *yen* was the amount of the government subsidy, in accordance with the law of subsidy, to the Banks of Agriculture and Industry. At the time of their establishment, it happened that the money market was tight and there was a great demand for capital. So loans

¹ Law No. 84, April 20, 1896.

were steadily made and a great service was thus rendered agriculture and industry by these banks. In the case of the Hypothec Bank, between 1898 and 1903 the total amount of bonds issued was 72,557,820 *yen*. At the end of each year the amounts loaned dwindled, according to the nature of the loan, some being repaid in annual instalments, some at regular periods. The figures are as follows:

OUTSTANDING LOANS FOR VARIOUS PURPOSES AT END OF EACH YEAR, 1897-1903

| Year | Agriculture | Industry | Public corporations ^a | Public associations ^b | Total |
|----------------|-------------|------------|----------------------------------|----------------------------------|-------------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1897 | 342,709 | 816,600 | 10,000 | 206,703 | 1,376,012 |
| 1898 | 1,426,257 | 4,477,939 | 313,593 | 488,945 | 6,706,734 |
| 1899 | 2,328,762 | 4,886,682 | 539,425 | 1,019,973 | 8,774,842 |
| 1900 | 3,477,737 | 5,873,213 | 1,075,883 | 1,223,798 | 11,650,631 |
| 1901 | 4,565,202 | 6,451,573 | 1,601,883 | 1,429,920 | 14,048,578 |
| 1902 | 6,348,882 | 7,559,603 | 1,780,858 | 1,609,659 | 17,320,102 ^c |
| 1903 | 8,544,907 | 7,982,041 | 3,044,512 | 1,940,674 | 21,795,394 ^d |

^a Includes loans to prefectures, counties, cities, towns and villages.

^b Includes loans to water improvement guilds, earth-work guilds and arable land adjustment guilds.

^c Includes 21,100 *yen*, loans of the Banks of Agriculture and Industry.

^d Includes 283,260 *yen*, loans of the Banks of Agriculture and Industry.

The amounts of the bonds of the Banks of Agriculture and Industry taken over were not included in the foregoing table. They were as follows:

| Year | Face value | Price |
|----------------|------------|------------|
| | <i>Yen</i> | <i>Yen</i> |
| 1899 | 142,280 | 137,344 |
| 1900 | 175,580 | 170,644 |
| 1901 | 239,390 | 234,454 |
| 1902 | 442,610 | 437,799 |
| 1903 | 586,650 | 565,401 |

Now, by examining the Banks of Agriculture and Industry, we find the amounts of the bonds of those banks reached 7,033,430 *yen* between 1899 and 1903, and the amounts of the loans, those redeemable by annual instalments and those redeemable at regular periods, are shown in Table VII at the end of this chapter.¹

¹ *Post*, p. 202.

Again, in order to show the power of the banks to do business in spite of the figures, two additional tables VIII and IX have been inserted at the end of this chapter.¹

Let us consider next the Colonial Bank of Hokkaido. Its purpose was the same as that of the Banks of Agriculture and Industry of the various prefectures, but Hokkaido was different from other parts of the country in that the circulation of money was not yet sufficient, and in consequence the interest rate was very high. It was not easy, therefore, to establish a bank with qualifications as to shareholders, profits and subsidy the same as for the Banks of Agriculture and Industry. So the sphere of activity of this bank was made a little broader, and as we have briefly explained before, a special law was framed to permit a special kind of subsidy for it. The authorized capital was 3 million *yen* of which 1 million *yen* was furnished by the government, and on the government shares no dividends were required for ten years after the last day of the first period of the establishment. The business of the bank was begun on April 1, 1900, with a paid-up capital of 750,000 *yen*.

Although the sphere of activity of this bank was in the main the same as that of the other Banks of Agriculture and Industry, yet there were some differences. For example, as this bank was not only to loan money on the security of real property, but also to furnish capital for the development of the land of Hokkaido, loans were made with agricultural products, shares and bonds as security, bonds were subsidized, and the business of handling deposits and drafts was undertaken; in short the sphere of activity was somewhat broader than that of the Banks of Agriculture and Industry. Funds for the business were obtained, in addition to the bank's capital, by issuing bonds (colonial bank bonds) to the limit of five times the paid-up capital.

The actual business condition of the bank is shown by the following table of loans made:

¹ *Post*, pp. 203-205.

LOANS OF COLONIAL BANK OF HOKKAIDO

| Year | To Agriculture and industry | | To Industry | To Commerce | To public institutions | Total |
|------|------------------------------|-------------------------|-----------------------|-----------------------|------------------------|-------------------------|
| 1900 | Instalment Regular period | <i>Yen</i> 492,786 | <i>Yen</i> 82,821 | <i>Yen</i> 30,000 | <i>Yen</i> 12,620 | <i>Yen</i> 618,227 |
| | | 36,840 | .... | .... | 3,500 | 40,340 |
| | Total | 529,626 | 82,821 | 30,000 | 16,120 | 658,567 |
| 1901 | Instalment Regular period | <i>Yen</i> 913,540 | <i>Yen</i> 126,921 | <i>Yen</i> 25,183 | <i>Yen</i> 12,353 | <i>Yen</i> 1,077,997 |
| | | 221,200 | 103,400 | 5,000 | .... | 329,600 |
| | Total | 1,134,740 | 230,321 | 30,183 | 12,353 | 1,407,597 |
| 1902 | Instalment Regular period | <i>Yen</i> 1,031,781 | <i>Yen</i> 152,014 | <i>Yen</i> 166,728 | <i>Yen</i> 51,864 | <i>Yen</i> 1,402,387 |
| | | 247,460 | 128,000 | .... | 40,000 | 415,460 |
| | Total | 1,279,241 | 280,014 | 166,728 | 91,864 | 1,817,847 |
| 1903 | Instalment Regular period | <i>Yen</i> 1,183,176 | <i>Yen</i> 109,706 | <i>Yen</i> 242,858 | <i>Yen</i> 40,223 | <i>Yen</i> 1,575,963 |
| | | 427,741 | 113,600 | 80,700 | 40,000 | 662,041 |
| | Total | 1,610,917 | 224,306 | 323,558 | 80,223 | 2,238,004 |

As for the capital used in the business of the bank, the colonial bank bonds were issued until 1904. The rest was as follows:

| Year | Paid-up capital | Reserve | Percentage of dividends | Loans | |
|-----------|-------------------------|---------------------|-------------------------|-----------------------|------------------------|
| | | | | Total in year | Balance at end of year |
| 1900..... | <i>Yen</i> 1,050,000 | <i>Yen</i> 2,343 | 7.0 | <i>Yen</i> 723,435 | <i>Yen</i> 703,544 |
| 1901..... | 2,098,400 | 15,248 | 7.0 | 1,911,118 | 1,501,606 |
| 1902..... | 2,100,000 | 76,400 | 8.0 | 3,532,080 | 2,102,857 |
| 1903..... | 2,700,000 | 106,600 | 8.0 | 5,287,744 | 2,646,278 |
| Total ... | 7,948,400 | 200,591 | | 11,454,377 | 6,954,285 |

Bank of Formosa

The Bank of Formosa was established in accordance with Law No. 38 of March, 1897,¹ as the central financial institu-

¹ Concerning the Bank of Formosa.

tion of Formosa, with the object of furnishing capital for commerce, industry and public works, of developing the economic resources of Formosa, and of extending the scope of business of the Bank to South China and the South Sea Islands by providing a financial organ for the commerce of these countries; the Bank was also intended to secure the economic independence of Formosa and reform the monetary system. The government believed that the sound development of Formosa could not be hoped for unless protection was given to the Bank, in view of the conditions prevailing in the island, where everything was still undeveloped, peace and order were not yet secured, and the credit system was not yet established. So, by Law No. 35 of March 1, 1899,¹ (1) 2 million *yen* of silver were lent to the Bank without interest, to be used exclusively as a reserve fund for the conversion of notes, (2) 1 million *yen* of the 5 million *yen* capital of the Bank were subscribed by the government. In addition, it was arranged that the dividends on shares payable to the government should be transferred for five years to the reserve fund for meeting the losses of the Bank, thereby making the establishment of the Bank easier, and then on July 27 of the same year, the silver 2 million *yen* were exchanged for 2,127,659 pieces of silver *yen* in coins (94 *sen* per 1 piece) and these were paid to the Bank together with 54 *sen* of auxiliary silver coins, thereby fulfilling the duty of subsidizing the Bank. The Bank on July 22, 1899, secured 1,250,000 *yen* or one-fourth of the authorized capital of 5 million *yen*, and the doors were opened on September 26.

This Bank, as the central bank, has the power to issue notes. At first by Article VIII of the law concerning the Bank of Formosa, this Bank was authorized to issue notes valued at 5 *yen* and upward redeemable in gold. But the conditions in the island were not yet such as to need this conversion into gold. So by Law No. 34 of March, 1899, this regulation was changed and the Bank was empowered to issue notes redeemable in silver coin valued at 1 *yen* and upward. As to regula-

¹ Concerning a subsidy to the Bank of Formosa.

tions for the reserve, to guarantee the issue of silver certificates, specie (gold or silver) to the amount of one-half and upward of the issue was to be kept as a reserve. For the rest, up to the limit of 5 million *yen*, government notes, convertible bank notes and other reliable certificates or commercial checks could be made a guarantee. Again, in case of need of a further issue of notes, the same amount of guarantee reserve was to be kept in readiness and the tax on the issue at the rate of 5 per cent per annum or upward was to be paid. Bank notes were issued for the first time on September 29 to the amount of 490,000 *yen*.

The following table will show the actual condition of the business from September, 1899, to December, 1903.

| Date | Specie Reserve | | | Guarantee reserve | Total |
|------------------|----------------|------------|------------|-------------------|------------|
| | Gold | Silver | Total | | |
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Sept., 1899..... | .... | 449,098 | 449,098 | .... | 449,098 |
| Oct., 1899..... | .... | 1,050,000 | 1,050,000 | .... | 1,050,000 |
| Nov., 1899..... | .... | 1,523,337 | 1,523,337 | .... | 1,523,337 |
| Dec., 1899..... | .... | 1,834,917 | 1,834,917 | .... | 1,834,917 |
| Dec., 1900..... | 494,276 | 1,577,585 | 2,071,861 | 1,511,529 | 3,583,390 |
| Dec., 1901..... | .... | 1,829,358 | 1,829,358 | 1,370,371 | 3,199,729 |
| Dec., 1902..... | .... | 3,352,719 | 3,352,719 | 1,746,447 | 5,099,166 |
| Dec., 1903..... | 222,222 | 2,219,303 | 2,441,525 | 2,181,989 | 4,623,514 |
| Total..... | 716,498 | 13,836,317 | 14,552,815 | 6,810,336 | 21,363,151 |

Again, the average annual amounts of issue at the month's end were as follows:

| Year | Specie reserve | | | Guarantee reserve | Total |
|------------|----------------|------------|------------|-------------------|------------|
| | Gold | Silver | Total | | |
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1899..... | .... | 1,214,338 | 1,214,338 | .... | 1,214,338 |
| 1900..... | 352,134 | 2,017,568 | 2,369,702 | 1,467,707 | 3,837,409 |
| 1901..... | 50,548 | 1,925,684 | 1,976,232 | 1,486,970 | 3,463,202 |
| 1902..... | .... | 2,799,880 | 2,799,880 | 1,650,940 | 4,450,820 |
| 1903..... | 614,368 | 2,027,593 | 2,641,961 | 2,222,150 | 4,864,111 |
| Total..... | 1,017,050 | 9,985,063 | 11,002,113 | 6,827,767 | 17,829,880 |

As shown in the foregoing table, the Bank of Formosa gradually extended the scope of its business. It established branches on the mainland of Japan, and branches and agencies in Amoy, Hongkong and other places; thereby more and more perfectly rendering the service for which it was established. Table X at the end of this chapter¹ sets forth the principal facts as to the Bank's activities in recent years.

Industrial Bank of Japan

The Industrial Bank of Japan was established as a realty bank. It was based upon Law No. 70 of March, 1900. About 1890 our national finance was freed from the evils of inconvertible notes. When certain new enterprises were undertaken and the money circulation became tight, the government ordered the Bank of Japan to initiate the so-called security system, that is, to give discount or allow an overdraft for a certain amount of shares as guarantee in order to relieve the urgent needs of the industrial world, and at the same time to take over the loans made in accordance with the security system mentioned above, by establishing a bank for personalities. That was how the Industrial Bank of Japan came to be established. About ten years later, when at the close of the Sino-Japanese War new enterprises were projected, and as capital was insufficient it became necessary to plan the importation of foreign capital, this Bank was established to meet the need.

The Bank's authorized capital amounted to 10 million *yen*, and with the passage of the industrial bank law its establishment was planned. But at that time the money circulation was tight and did not permit the opening of the Bank. So the issue of shares was postponed for a time. The restoration of a favorable money market was awaited. At last, in March, 1902, 2,500,000 *yen* were paid in, as the first instalment on the shares of the Bank, and the doors were opened on April 10 of the same year. The Bank was to make loans on the security of national bonds, bonds of local governments and

¹ *Post* p. 205.

the bonds and shares of various companies, and to underwrite these. It was empowered to secure a part of the capital for its business by issuing industrial bank bonds. The limit of the bond issue was fixed at five times the paid-up capital or not to exceed the actual amount of the loans or the local government bonds or company bonds then in the hands of the Bank.

Table XI at the end of this chapter¹ shows the actual results of the business of this Bank.

CONDITIONS IN THE BANKING INDUSTRY

In the foregoing section we have explained in detail how the government, to encourage the national development after the Sino-Japanese War, helped to establish various special banks, and, by enlarging the spheres of the ordinary banks which had been established before the war, planned to reform the monetary system. With the change in economic conditions after the war, the government was able to solve the problem of what disposition to make of the national banks, which had been pending since before the war, and thereby added to the stability of the monetary system. This should be especially noted as a result brought about by the war.

The system of national banks was established in accordance with Law No. 349, with the object of redeeming the government notes which had been recklessly issued since the beginning of the Meiji Era (1868) and of facilitating the circulation of commercial capital. We shall here briefly explain the method of issue of these bank notes. The national banks offered the government notes in exchange for public loan bonds—redeemable in gold certificates, and then by offering the latter received bank notes. The national bank notes were convertible in specie. But at that time our country exported gold and silver, especially gold, to an enormous amount. The price of gold coin rose, so that there came to be a difference between gold certificates and gold coin,² and the national banks

¹ *Post*, p. 206.

² Between July 1873 and 1876 the highest difference was 4.9 per cent, in March, 1876.

could no longer issue bank notes. Consequently, the management of these banks became very difficult, and only four or five of them were established. The government in order to encourage the establishment of national banks and enable them to accomplish the original purpose and at the same time to maintain the price of the enormous amount of bonds newly issued at the time the change in the system was made, changed the system of specie conversion into the system of conversion into currency, that is, government notes, by Law No. 106 of August, 1876. Thus appeared the inconvertible bank notes. After this banks were established one after another, 153 banks being established from September, 1876, to November, 1879, with a paid-up capital amounting in all to 40,616,063 *yen*, while the notes issued amounted to 34,046,014 *yen*.

But, later, the government notes were not redeemed at all, and at the end of January, 1878, the highest point was reached, the notes issued amounting to 139,301,593 *yen*. Moreover, the inconvertible bank notes increased gradually and the price of notes decreased until, in 1881, the lowest point was touched when the difference between notes and specie reached 93 per cent against gold and 79.5 per cent against Mexican silver. Thereupon the government decided to redeem the various notes and at the same time to change the system. Separate banks were replaced by one central bank and in 1882 the Bank of Japan was established;¹ from 1884 convertible bank notes were issued.² Again the government, by Law No. 14, of June, 1885, decided to begin the conversion of government notes into silver coins in January, 1886.³ In regard to these banks, it must be added that the government revised the national-bank regulations on May 5, 1883⁴ thereby fixing the period of existence at twenty years in full from the day the permit was issued; the term limit of the banks expired between September, 1886, and December, 1899. Fur-

¹ Law No. 32 of 1882.

² Law No. 18 of May, 1884.

³ At the end of 1885 the government notes amounted to 88,345,096 *yen*.

⁴ Law No. 14.

thermore, it was decided to redeem the bank notes, amounting to 31,812,880 *yen*, which existed at the time by the following method. This was called the united method of redemption of national bank notes. As for a while it caused a great sensation in political circles after the Sino-Japanese War, we shall briefly explain below this method of redemption.

(1) The national banks shall deposit with the Bank of Japan, for conversion of the notes a reserve (currency) amounting to one-fourth of the notes allowed them, which reserve shall be kept as a time deposit during the years in which the banks are operated, to be applied to the redemption of the notes (first class redemption fund).

(2) The national banks shall set aside out of their profits at the end of each half year an amount equal to 2.5 per cent per annum of the amount of the notes allowed them and shall deposit this with the Bank of Japan as a fund for the redemption of the notes (second class redemption fund).

(3) The Bank of Japan shall purchase interest-bearing bonds with the foregoing sums and shall redeem notes with the interest and transfer the notes to the Department of Finance. The Department of Finance shall then hand over public loan bonds to said bank equal in amount to those redeemed.

According to the estimate at the time, the market price of the public loan bonds bearing 7 per cent interest was expected to be as mentioned below, as the result of which transaction the amount of interest on bonds purchased up to 1897 with the first-class redemption fund would amount to 10,738,982 *yen*, and the amount of the face value of the bonds purchased with the second-class redemption fund to 13,791,515 *yen* and the interest to 7,992,224 *yen*, totaling 32,522,721 *yen*. This plan was to leave a certain amount of surplus compared with the existing amount of the notes, the banks being able to redeem a greater part of the notes with a portion of the interest of the reserve fund and the profits at the time of the expiration of the business term. Moreover, it was expected that the public loan bonds and the reserve fund would remain in the possession of the bank, and that the notes issued would

return to the bank indirectly in the form of currency, so that the problem would be satisfactorily solved. But this plan was impracticable for two reasons. One was that the price of bonds rose, and the other that the bonds bearing 7 per cent interest disappeared. For the former reason the amount needed to purchase the bonds was reduced. For the latter the amount of interest was reduced. The following table will show a comparison between the price of bonds as estimated at the time of the initiation of the united plan of redemption and that actually received:

COMPARISON OF ESTIMATED AND ACTUAL PRICE OF BONDS, 1883-1895

| Year | Estimated price of bonds | Rate of interest | Actual price of bonds | Rate of interest |
|-----------|--------------------------|------------------|-----------------------|------------------|
| | <i>Yen</i> | <i>Per cent</i> | <i>Yen</i> | <i>Per cent</i> |
| 1883..... | 80,000 | 7 | 83,947 | 7 |
| 1884..... | 80,000 | 7 | 93,393 | 7 |
| 1885..... | 80,000 | 7 | 96,331 | 7 |
| 1886..... | 85,000 | 7 | 107,309 | 7 |
| 1887..... | 85,000 | 7 | 101,578 | 5 |
| 1888..... | 85,000 | 7 | 101,445 | 5 |
| 1889..... | 85,000 | 7 | 101,015 | 5 |
| 1890..... | 90,000 | 7 | 99,866 | 5 |
| 1891..... | 90,000 | 7 | 100,451 | 5 |
| 1892..... | 90,000 | 7 | 101,726 | 5 |
| 1893..... | 90,000 | 7 | 106,962 | 5 |
| 1894..... | 95,000 | 7 | 105,270 | 5 |
| 1895..... | 90,000 | 7 | 99,703 | 5 |

The difference between the estimated price and the actual market price was as just stated. Moreover, in 1886, the law of consolidated bonds was established, and from March, 1887, the bonds of 5 per cent or above were redeemed so that it became impossible to purchase 7 per cent bonds.

These facts produced a great miscalculation in the estimate of the redemption fund.

Thereupon, the national banks asked for a postponement of the right to issue notes, in order to make up for the losses arising from the miscalculation mentioned above. The government on the other hand tried to deprive them of their special privilege upon the expiration of the business term and

to change them into private banks, only thus allowing them to continue their business (advocacy for continuation). Thus the two diverse opinions, as to extension or continuation, constituted a great problem for the nation, especially for the Diet, from ante-war times. But after the war, the confusion in the money market increased, so that the advocates of extension gained the upper hand, enthusiastically upholding this doctrine on the ground that the future money market would become tighter and the price of bonds would fall, and that the reason why the price of bonds, which had risen ordinarily at the time of the Sino-Japanese War, was maintained, lay in the fact that the national banks needed them. For a while many people considered this view as being a reasonable one. So the government by law ordered the Bank of Japan to lend capital for the redemption of notes amounting to 22 million *yen*, without interest, in order to relieve the national banks from the difficulties which had arisen from the aforementioned miscalculation. But, fortunately, from the latter half of 1895 the market value of securities generally rose and with renewed activity in industrial and commercial circles the banking business became most profitable. So the once powerful advocates of the doctrine of extension lost their influence, and a bill embodying the first principle, that of continuation, was passed by the Imperial Diet, and at last the 153 national banks disappeared altogether from the economic world in February, 1899. Of these 153 banks, 8 dissolved of themselves on the expiration of their terms, 16 amalgamated and 7 closed their doors. Only 122 continued as private institutions. Of these, 30 were changed after, and 92 before, the expiration of their term.

We have so far explained the problem of adjustment connected with the national banks. We shall now glance at the banking business in general. In the first place, as a result of this reconstruction of the national banks, a number of specially privileged banks, including the Bank of Japan, the Yokohama Specie Bank, the National Bank, the Hypothec Bank of Japan, the Banks of Agriculture and Industry, the

Colonial Bank of Hokkaido, the Industrial Bank of Japan, the Bank of Formosa, and a number of ordinary banks, were considerably changed, as shown below:

INCREASE IN NUMBER OF BANKS, 1893-1903

| Year | Main Banks | | | Total | Branch Banks | | | Total |
|---------|---------------|----------------|-------------------------|-------|---------------|----------------|-------------------------|-------|
| | Special banks | Ordinary banks | Savings banks | | Special banks | Ordinary banks | Savings banks | |
| 1893... | 135 | 545 | 23 1 ^a | 703 | 162 | 165 | 12 | 339 |
| 1894... | 135 | 700 | 30 1 ^a | 865 | 188 | 196 | 30 | 414 |
| 1895... | 135 | 792 | 86 6 ^a | 1,013 | 193 | 277 | 107 | 577 |
| 1896... | 123 | 1,005 | 149 44 ^a | 1,277 | 180 | 428 | 224 | 832 |
| 1897... | 61 | 1,223 | 221 91 ^a | 1,505 | 83 | 651 | 270 | 1,004 |
| 1898... | 48 | 1,444 | 260 158 ^a | 1,752 | 18 | 912 | 453 | 1,383 |
| 1899... | 49 | 1,561 | 333 198 ^a | 1,943 | 30 | 1,069 | 631 | 1,730 |
| 1900... | 51 | 1,802 | 419 262 ^a | 2,272 | 32 | 1,374 | 814 | 2,220 |
| 1901... | 51 | 1,867 | 441 273 ^a | 2,359 | 33 | 1,457 | 542 337 ^a | 2,032 |
| 1902... | 52 | 1,841 | 431 270 ^a | 2,324 | 34 | 1,470 | 536 331 ^a | 2,040 |
| 1903... | 52 | 1,754 | 469 219 ^a | 2,275 | 35 | 1,441 | 586 291 ^a | 2,062 |

^a Ordinary banks conducting savings business so their number was not included in the total figures.

Table XII at the end of this chapter¹ will show the amount of capital, deposits, net profits, and dividends of these banks.

The following table will show the amounts of deposits and loans for the various banks:²

¹ *Post*, p. 207.

² The special banks include the Bank of Japan, the National Banks (up to the end of 1898), the Yokohama Specie Bank, the Hypothec Bank of Japan (after 1897), the Banks of Agriculture and Industry (after 1898), the Bank of Formosa (after 1899), the Colonial Bank of Hokkaido (after 1900), and the Industrial Bank of Japan (after 1902).

BANK DEPOSITS AND LOANS

| Year | Deposits | | Loans | |
|-----------|---------------|--------------------------|---------------|--------------------------|
| | Amount | Percentage (1893=100) | Amount | Percentage (1893=100) |
| | <i>Yen</i> | | <i>Yen</i> | |
| 1893..... | 115,139,920 | 100.0 | 195,017,509 | 100.0 |
| 1894..... | 138,452,655 | 120.2 | 227,909,656 | 116.9 |
| 1895..... | 190,840,473 | 165.7 | 322,645,257 | 165.2 |
| 1896..... | 430,234,984 | 373.7 | 543,823,073 | 278.9 |
| 1897..... | 383,910,820 | 333.4 | 500,821,394 | 256.8 |
| 1898..... | 400,892,757 | 438.2 | 648,390,268 | 332.5 |
| 1899..... | 606,053,315 | 526.4 | 882,574,248 | 452.6 |
| 1900..... | 610,010,408 | 529.8 | 992,247,666 | 508.8 |
| 1901..... | 604,618,138 | 525.1 | 921,074,784 | 472.3 |
| 1902..... | 712,677,790 | 619.0 | 991,138,278 | 508.2 |
| 1903..... | 778,514,683 | 676.1 | 1,046,774,556 | 536.8 |
| | 4,971,345,943 | | 7,272,416,689 | |

The foregoing figures show the conditions of the banks in Japan after the Sino-Japanese War. In point of capital, deposits and loans, all made rapid progress. Especially in 1899 was their development very remarkable, after the period of adjustment of the national banks. All this followed as a result of the activity of economic circles after the war, but the reconstruction of the national banks had a great deal to do with producing this prosperous condition. Therefore, we can not but recognize the fact that the war after all had no small effect upon the banking industry.

TABLE I.—INFLATION OF CURRENCY

| Date | Money in circulation | | | Total in Treasury | Balance in circulation | Percentage of prices |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------|
| | Coin | Paper | Total | | | |
| January 31, 1894 | Yen 52,227,579 | Yen 185,929,690 | Yen 238,157,269 | Yen 45,891,633 | Yen 192,265,636 | 123 |
| End of June 30, 1894 ^a | 52,252,649 | 178,621,176 | 230,873,825 | 44,019,370 | 186,854,455 | 126 |
| December 31, 1894 | 62,711,242 | 185,000,044 | 247,711,286 | 16,624,102 | 231,087,184 | 133 |
| January 31, 1895 | 62,761,409 | 177,333,261 | 240,094,670 | 15,794,933 | 224,300,637 | 133 |
| April 30, 1895 ^b | 68,336,243 | 166,932,195 | 235,268,438 | 14,708,934 | 220,560,404 | 133 |
| December 31, 1895 | 69,739,986 | 212,262,825 | 282,000,811 | 11,521,704 | 270,479,107 | 140 |
| Comparison with June 30, 1904 | | | | | | |
| December 31, 1894 | 10,458,593 ^c | 6,378,868 ^c | 16,837,461 ^d | 27,395,268 ^d | 44,232,729 ^b | 11 ^o |
| December 31, 1895 | 17,487,337 ^c | 33,641,649 ^c | 34,289,525 ^d | 32,497,666 ^d | 83,624,652 ^b | 8 |

^a War began.^b War ended.^c Increase.^d Decrease.

TABLE II.—BANK NOTE ISSUES, 1893-1899

| Fiscal year | Month-end specie reserve issue | Month-end guarantee reserve issue | Month-end total issue | Reserve strength of issue | Extra-limit issue | Average annual issue | Percentage compared with issue |
|-------------|--------------------------------|-----------------------------------|-----------------------|---------------------------|-------------------|----------------------|--------------------------------|
| 1893..... | Yen 85,928,516 | Yen 62,734,612 | Yen 148,663,128 | Yen 1,121,922 | Yen | Yen 129,732,824 | 100.0 |
| 1894..... | 81,718,291 | 68,095,409 | 149,813,700 | ..... | 4,197,549 | 139,587,513 | 107.6 |
| 1895..... | 60,370,797 | 119,966,018 | 180,336,815 | ..... | 55,083,148 | 143,712,858 | 110.8 |
| 1896..... | 132,730,192 | 65,583,704 | 198,313,896 | 3,598,064 | ..... | 168,212,963 | 129.7 |
| 1897..... | 98,261,473 | 127,967,585 | 226,229,058 | ..... | 47,312,657 | 189,367,882 | 146.0 |
| 1898..... | 89,570,239 | 107,829,662 | 197,399,901 | ..... | 24,016,569 | 180,487,840 | 139.1 |
| 1899..... | 110,142,169 | 140,419,871 | 250,562,040 | ..... | 20,721,835 | 194,366,382 | 149.8 |
| Total..... | 658,721,677 | 692,596,861 | 1,351,318,538 | 4,719,986 | 151,331,758 | 163,638,323 | |

TABLE III.—INCREASE AND DECREASE OF BANK NOTE ISSUES

| Fiscal year | Month-end specie reserve issue | Month-end guarantee reserve issue | Month-end total issue | Reserve strength of issue | Extra-limit issue | Average annual issue | Percentage compared with issue. |
|-------------|--------------------------------|-----------------------------------|-----------------------|---------------------------|-------------------|----------------------|---------------------------------|
| 1893..... | Yen | Yen | Yen | Yen 1,121,922 | Yen | Yen ..... | ..... |
| 1894..... | 4,210,225* | 5,360,797 | 1,150,572 | ..... | 4,197,549 | 9,854,689 | 7.6 |
| 1895..... | 25,557,719* | 57,231,406 | 31,673,687 | ..... | 55,083,148 | 13,980,034 | 10.8 |
| 1896..... | 46,801,676 | 2,849,092 | 49,650,768 | 3,598,064 | ..... | 38,481,139 | 29.7 |
| 1897..... | 12,332,957 | 65,232,973 | 77,565,930 | ..... | 47,312,657 | 59,635,058 | 46.0 |
| 1898..... | 3,641,723 | 45,095,050 | 48,736,773 | ..... | 24,016,569 | 50,755,016 | 39.1 |
| 1899..... | 24,213,653 | 77,685,259 | 101,898,912 | ..... | 20,721,835 | 64,633,558 | 49.8 |
| Total..... | 116,757,953 | 253,454,577 | 310,676,642 | 4,719,986 | 151,331,758 | 39,556,582 | |

* Decrease.

TABLE IV.—LOANS MADE BY BANK OF JAPAN, 1893-1899

| Year | Public loans | Government loans | | Loans to redeem bank notes | Deposits | Total |
|--------|-------------------|-------------------|--------------|----------------------------|--------------|-------------------|
| | | Permanent | Temporary | | | |
| | | | | | | |
| 1893. | Yen 34,624,243 | Yen 22,000,000 | Yen | Yen | Yen | Yen 56,624,243 |
| 1894. | 36,601,697 | 22,000,000 | 15,500,000 | ..... | ..... | 74,101,697 |
| 1895. | 66,878,141 | 22,000,000 | 41,500,000 | ..... | ..... | 130,378,141 |
| 1896. | 93,639,625 | 22,000,000 | 50,000,000 | 958,447 | 91,486,288 | 258,084,360 |
| 1897. | 104,973,122 | 22,000,000 | 6,831,132 | 4,563,786 | 63,827,136 | 202,195,176 |
| 1898. | 84,375,651 | 22,000,000 | ..... | 4,531,714 | 22,967,993 | 133,874,458 |
| 1899. | 121,097,798 | 22,000,000 | ..... | 3,786,992 | 48,350,174 | 195,234,964 |
| Total. | 542,190,277 | 154,000,000 | 113,831,132 | 13,840,939 | 226,630,691 | 1,050,493,039 |

TABLE V.—AMOUNT OF GUARANTEE RESERVE ISSUE AT END OF EACH YEAR, 1899-1903

| Year | Specie reserve ^a | Securities reserve ^a | Amount of issue ^a | Securities issue | | Average annual issue | |
|-----------|-----------------------------|---------------------------------|------------------------------|---------------------------|-------------------|----------------------|-------------------------|
| | | | | Reserve strength of issue | Extra-limit issue | Amount | Percentage (1899 = 100) |
| 1899..... | Yen 110,142,169 | Yen 140,419,871 | Yen 250,562,040 | Yen | Yen 20,721,835 | Yen 194,366,382 | Yen 100.0 |
| 1900..... | 67,349,129 | 161,220,903 | 228,570,032 | .... | 41,220,903 | 205,722,228 | 105.8 |
| 1901..... | 71,358,371 | 142,738,395 | 214,096,766 | .... | 22,738,395 | 187,660,243 | 96.5 |
| 1902..... | 109,118,817 | 122,975,560 | 232,094,377 | .... | 2,975,560 | 187,153,619 | 96.3 |
| 1903..... | 116,962,184 | 115,958,379 | 232,920,563 | 4,041,621 | .... | 201,847,692 | 103.8 |

^a At close of year.

TABLE VI.—LOANS OF YOKOHAMA SPECIE BANK, 1893-1903

| Year | Loans | Debt loans | Overdraft by current account | Temporary loans as foreign exchange | Discount | Drafts with interest | Total |
|------------|------------|------------|------------------------------|-------------------------------------|-------------|----------------------|-------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1893..... | 4,799,774 | 63,509 | 716,289 | 333,397 | 2,396,605 | 2,105 | 8,311,679 |
| 1894..... | 3,859,002 | 69,805 | 768,017 | 149,176 | 2,957,089 | ..... | 7,803,089 |
| 1895..... | 3,136,379 | 99,808 | 1,153,364 | 5,614 | 4,286,297 | ..... | 8,681,462 |
| 1896..... | 6,200,684 | 24,102 | 2,096,301 | 375,510 | 6,033,502 | ..... | 14,730,099 |
| 1897..... | 2,120,478 | 24,597 | 1,660,629 | 1,106,420 | 9,313,763 | ..... | 14,225,887 |
| 1898..... | 7,735,608 | 25,370 | 2,475,942 | 850,883 | 12,726,776 | 9,581,126 | 33,395,705 |
| 1899..... | 4,867,081 | 197,906 | 3,469,639 | 1,068,554 | 12,423,426 | 11,879,066 | 33,905,672 |
| 1900..... | 3,455,044 | 364,045 | 5,435,835 | 985,441 | 18,305,351 | 16,266,297 | 44,812,013 |
| 1901..... | 6,527,867 | 461,112 | 3,636,712 | 2,273,496 | 9,021,841 | 12,597,637 | 34,518,665 |
| 1902..... | 10,286,835 | 417,481 | 3,333,785 | 720,614 | 8,305,622 | 16,934,522 | 39,998,859 |
| 1903..... | 10,052,061 | 492,527 | 3,539,042 | 993,194 | 17,918,760 | 16,889,405 | 49,884,989 |
| Total..... | 63,040,813 | 2,240,262 | 28,285,555 | 8,862,299 | 103,689,032 | 84,150,158 | 290,268,119 |

TABLE VII.—LOANS OF BANKS OF AGRICULTURE AND INDUSTRY

| Year | Redemption | Industry | | Agriculture and industry | | Public corporations | | Arable land adjustment guilds | | Total |
|------|--------------------|---------------|------------------|--------------------------|------------------|---------------------|------------------|-------------------------------|------------------|----------------|
| | | Amount | Percent of total | Amount | Percent of total | Amount | Percent of total | Amount | Percent of total | |
| 1894 | Annual instalments | Yen 1,154,042 | 3.1 | Yen 2,279,870 | 6.2 | Yen 235,587 | 0.7 | Yen | . . . | Yen 3,687,499 |
| | Regular periods | 123,500 | 2.3 | 298,881 | 5.6 | 111,248 | 2.1 | | . . . | 533,629 |
| | Total | 1,277,542 | 3.0 | 2,578,751 | 6.2 | 346,835 | 0.8 | | . . . | 4,221,128 |
| 1899 | Annual instalments | Yen 2,565,573 | 2.4 | Yen 7,163,043 | 6.8 | Yen 794,134 | 0.8 | | . . . | Yen 10,522,750 |
| | Regular periods | 453,939 | 2.9 | 837,255 | 5.4 | 249,077 | 1.7 | | . . . | 1,540,271 |
| | Total | 3,019,512 | 2.5 | 8,000,298 | 6.6 | 1,043,211 | 0.9 | | . . . | 12,063,021 |
| 1900 | Annual instalments | Yen 4,060,097 | 2.4 | Yen 11,113,843 | 6.7 | Yen 1,473,708 | 0.9 | | . . . | Yen 16,647,648 |
| | Regular periods | 792,192 | 3.1 | 1,359,200 | 5.4 | 376,769 | 1.5 | | . . . | 2,528,161 |
| | Total | 4,852,289 | 2.5 | 12,473,043 | 6.5 | 1,850,477 | 1.0 | | . . . | 19,175,809 |
| 1901 | Annual instalments | Yen 4,948,007 | 2.5 | Yen 13,367,322 | 6.7 | Yen 1,679,208 | 0.8 | Yen | . . . | Yen 19,994,537 |
| | Regular periods | 944,071 | 3.1 | 1,705,933 | 5.6 | 326,465 | 1.1 | 51,564 | 0.2 | 3,027,133 |
| | Total | 5,892,078 | 2.6 | 15,072,355 | 6.5 | 2,005,673 | 0.9 | 51,564 | . . . | 23,021,670 |
| 1902 | Annual instalments | Yen 5,122,481 | 2.4 | Yen 14,066,520 | 6.9 | Yen 1,612,287 | 0.7 | Yen | . . . | Yen 21,701,288 |
| | Regular periods | 941,691 | 2.8 | 1,835,795 | 5.6 | 355,785 | 1.1 | 173,953 | 0.5 | 3,307,224 |
| | Total | 6,064,172 | 2.4 | 16,802,315 | 6.7 | 1,968,072 | 0.8 | 173,953 | 0.1 | 25,008,512 |
| 1903 | Annual instalments | Yen 5,499,088 | 2.3 | Yen 17,253,562 | 7.1 | Yen 1,483,777 | 0.6 | Yen 60,241 | . . . | Yen 24,296,668 |
| | Regular periods | 759,260 | 2.3 | 1,947,874 | 5.7 | 367,294 | 1.1 | 317,672 | 0.9 | 3,392,100 |
| | Total | 6,258,348 | 2.3 | 19,201,436 | 6.9 | 1,851,071 | 0.7 | 377,913 | 0.1 | 27,688,768 |

TABLE VIII.—HYPOTHEC BANK OF JAPAN

| Year | Paid-up capital | Sundry reserves | Percentage of dividends | Bonds issued | | Loans | |
|------------|------------------|-----------------|-------------------------|--------------|----------------|------------------|------------------------|
| | | | | Total | At end of year | Total | Balance at end of year |
| 1897..... | Yen 2,500,000 | Yen | 5.0 | Yen | Yen | Yen 1,376,012 | Yen 1,376,012 |
| 1898..... | 2,500,000 | 7,361 | 5.0 | 4,997,100 | 4,972,100 | 6,776,609 | 6,706,734 |
| 1899..... | 2,500,000 | 33,004 | 6.8 | 7,472,100 | 7,328,360 | 9,062,816 | 8,774,842 |
| 1900..... | 2,500,000 | 70,926 | 9.0 | 9,828,360 | 9,640,880 | 12,312,259 | 11,050,631 |
| 1901..... | 2,500,000 | 135,926 | 9.3 | 13,640,880 | 13,378,420 | 14,762,770 | 14,048,578 |
| 1902..... | 3,250,000 | 210,926 | 10.0 | 16,378,420 | 14,240,960 | 18,560,174 | 17,320,102 |
| 1903..... | 3,250,000 | 460,926 | 10.0 | 20,240,960 | 18,981,400 | 23,604,878 | 21,795,394 |
| Total..... | 19,000,000 | 919,069 | | 72,557,820 | 68,542,120 | 86,455,518 | 81,672,293 |

TABLE IX.—BANKS OF AGRICULTURE AND INDUSTRY
Capital, Deposits, Percentage of Dividends and Loans

| Year | Authorized capital | Paid-up capital | Sundry reserves | Percentage of dividends | | Various loans made | |
|------------|--------------------|-----------------|-----------------|-------------------------|------------------|--------------------|------------------------|
| | | | | First half year | Second half year | Total | Balance at end of year |
| 1897..... | Yen 23,950,000 | Yen 575,000 | Yen | ... | ... | Yen | Yen |
| 1898..... | 28,220,000 | 8,740,975 | 1,421 | 4.3 | 7.3 | 4,356,537 | 4,221,119 |
| 1899..... | 28,220,000 | 15,980,365 | 82,980 | 7.6 | 8.1 | 12,717,549 | 12,063,021 |
| 1900..... | 28,370,000 | 22,923,485 | 334,009 | 8.4 | 9.1 | 20,822,745 | 19,200,809 |
| 1901..... | 28,370,000 | 26,050,000 | 793,157 | 8.6 | 8.9 | 25,590,469 | 23,086,785 |
| 1902..... | 28,370,000 | 27,657,234 | 1,431,263 | 8.7 | 8.5 | 28,408,801 | 25,114,442 |
| 1903..... | 28,520,000 | 27,770,000 | 1,986,188 | 8.2 | 8.3 | 31,953,559 | 27,881,993 |
| Total..... | 194,020,000 | 129,697,059 | 4,629,018 | | | 123,849,660 | 111,568,169 |

TABLE IX.—BANKS OF AGRICULTURE AND INDUSTRY—Continued
Bonds

| Year | Issued during year | | Total | Balance from previous year | Total | Redeemed | Balance at end of year |
|------------|-----------------------------|----------------------|----------------|----------------------------|----------------|----------------|------------------------|
| | Taken over by Hypothec Bank | Popular subscription | | | | | |
| 1899..... | Yen 142,280 | Yen 387,720 | Yen 530,000 | Yen | Yen 530,000 | Yen 530,000 | Yen 530,000 |
| 1900..... | 33,300 | 66,700 | 100,000 | 530,000 | 630,000 | 630,000 | 630,000 |
| 1901..... | 63,810 | 356,190 | 420,000 | 630,000 | 1,050,000 | 26,100 | 1,023,900 |
| 1902..... | 209,300 | 820,700 | 1,030,000 | 1,023,900 | 2,053,900 | 34,370 | 2,019,530 |
| 1903..... | 158,160 | 591,840 | 750,000 | 2,019,530 | 2,769,530 | 167,290 | 2,602,240 |
| Total..... | 606,850 | 2,223,150 | 2,830,000 | 4,203,430 | 7,033,430 | 757,760 | 6,805,670 |

TABLE X.—FINANCIAL STATEMENT CONCERNING BANK OF FORMOSA

| Year | Total amount of business handled | | Paid-up capital | Percentage of dividends | Deposits at end of year | Loans outstanding at end of year |
|-----------|----------------------------------|-------------------|------------------|-------------------------|-------------------------|----------------------------------|
| | Receipts | Disbursements | | | | |
| 1899..... | Yen 28,714,414 | Yen 26,073,405 | Yen 1,250,000 | ... | Yen 1,009,081 | Yen 3,374,633 |
| 1900..... | 200,545,322 | 201,066,333 | 1,250,000 | 7.0 | 5,060,407 | 7,672,290 |
| 1901..... | 188,806,977 | 189,243,297 | 1,250,000 | 8.5 | 4,600,613 | 6,988,439 |
| 1902..... | 217,150,457 | 215,759,646 | 2,500,000 | 9.0 | 6,532,653 | 9,987,909 |
| 1903..... | 344,655,827 | 344,416,296 | 2,500,000 | 9.0 | 5,812,504 | 9,392,622 |
| Total.... | 979,872,997 | 976,558,977 | 8,750,000 | | 23,015,258 | 37,415,893 |

TABLE XI.—FINANCIAL STATEMENT CONCERNING INDUSTRIAL BANK OF JAPAN

| Year | Paid-up capital | Percentage of dividends | | Various loans | | Securities | | | | Total |
|----------|------------------|-------------------------|------------------|------------------|------------------------|----------------|----------------|------------------|----------------|------------------|
| | | First half year | Second half year | During year | Balance at end of year | Local bonds | National bonds | Shares | Company bonds | |
| 1902.... | Yen 2,500,000 | 5 | 5 | Yen 4,497,108 | Yen 3,237,658 | Yen 231,750 | Yen 125,628 | Yen 2,792,254 | Yen 206,000 | Yen 3,355,632 |
| 1903... | 2,500,000 | 5 | 5 | 20,263,708 | 4,595,480 | 7,200 | 135,323 | 3,413,138 | 1,152,000 | 4,707,661 |

TABLE XII.—CAPITAL, DEPOSITS, PROFITS AND DIVIDENDS OF BANKS, 1893-1903

| Year | Authorized capital | Capital and reserve | | | Net profits | Dividends | |
|-----------|--------------------|---------------------|-------------------|--------------------|-------------------|------------------|---|
| | | Paid-up capital | Reserve | Total | | Amount | Percentage to paid-up capital and reserve |
| 1893..... | Yen 110,316,880 | Yen 94,066,304 | Yen 29,868,362 | Yen 123,874,666 | Yen 13,963,489 | Yen 9,191,134 | 0.39 |
| 1894..... | 121,954,580 | 101,379,881 | 33,335,301 | 134,715,182 | 17,436,158 | 10,204,117 | 0.40 |
| 1895..... | 160,319,479 | 127,647,604 | 37,885,078 | 165,532,682 | 26,283,471 | 16,576,292 | 0.51 |
| 1896..... | 249,456,044 | 166,200,458 | 58,665,661 | 224,866,119 | 46,990,957 | 14,901,618 | 0.32 |
| 1897..... | 310,800,674 | 206,140,292 | 37,875,653 | 244,015,945 | 45,533,428 | 26,755,314 | 0.48 |
| 1898..... | 381,549,034 | 256,594,023 | 41,659,496 | 298,253,519 | 41,897,026 | 21,392,721 | 0.31 |
| 1899..... | 428,239,109 | 291,682,947 | 51,521,319 | 343,204,266 | 47,302,073 | 26,983,288 | 0.35 |
| 1900..... | 501,595,070 | 341,922,461 | 59,883,030 | 401,806,091 | 51,264,439 | 27,950,465 | 0.31 |
| 1901..... | 515,683,200 | 361,207,456 | 68,337,715 | 429,545,171 | 52,088,491 | 28,431,336 | 0.30 |
| 1902..... | 525,117,030 | 372,950,072 | 77,524,656 | 450,474,728 | 56,314,326 | 29,291,935 | 0.30 |
| 1903..... | 521,272,500 | 374,685,766 | 86,688,431 | 461,374,197 | 54,820,457 | 28,818,266 | 0.29 |
| Total.. | 3,817,273,600 | 2,694,477,264 | 583,185,302 | 3,277,662,566 | 453,894,315 | 240,496,486 | |

CHAPTER IV

EFFECTS ON INDUSTRIES

Following the crisis of 1890, came business depression, which lasted for three years, from 1891-1893. During these three years, the principle of conservation was most carefully followed in every branch of industry in Japan, and no positive plans were adopted for any. Meanwhile, however, Japanese business recovered from the blows of the past, the failures of the previous years were forgotten, conditions favorable to productive power were secured, and the once disturbed state of the business world was remedied. As a result, capital accumulated, the condition of the money market became sluggish and the business people of the country were thus prepared to enter upon fresh activities. But just at this time the Sino-Japanese War broke out, and the nation, putting everything else aside, was compelled to devote its whole energy to the prosecution of the war, which was a life-and-death struggle to Japan.

Fortunately for her, Japan won a glorious victory and increased her prestige greatly in the eyes of the whole world. People in general were encouraged by this victory to such an extent that the money market, after having met the very large expenditure necessitated during the war, showed reserve power after the war was over. Encouraged by this favorable state of the money market, the enterprise of the people, which had been restrained during the war, suddenly burst forth everywhere in new business undertakings. Of the various branches of business which the minds of the people were thus stimulated to engage in during these years, railways came first, and next banking, while the least enthusiasm was shown for general commerce and industry.

A glance at the conditions of industry in Japan during the war shows that while the interference with communication and the money market affected to some extent the general

industries of the country, yet on the other hand the unusual activity apparent in munition factories, occasioned by the need of munitions on the battlefield, balanced this depression. Besides, in those days, most of the industries in Japan were still at the outset of their development, and therefore supplying local demands only, so that they did not sustain any very serious blows during the war. Indeed, it may be stated that even during the war industries in Japan, generally speaking, made some progress, and when a business boom set in after the war their advancement was of course still more remarkable. Thus during these years the Japanese laid the basis for the notable progress which their industries attained after the Russo-Japanese War in later years. Let us first look at the conditions of industrial investment in Japan. As we have no authentic materials for a survey of the whole field of industry, we shall tabulate the amount of capital of the companies engaged in various industries as follows:

CAPITAL INVESTMENT IN INDUSTRY

| Year | Number of companies | Authorized capital | Paid-up capital | | Reserve |
|------------|---------------------|--------------------|-----------------|-----------------|-------------|
| | | | Amount | Increase | |
| | | <i>Yen</i> | <i>Yen</i> | <i>Per Cent</i> | <i>Yen</i> |
| 1896 . . . | 1,367 | 143,617,530 | 89,900,900 | 100.0 | 7,404,980 |
| 1897 . . . | 1,881 | 165,332,633 | 105,381,106 | 117.2 | 7,581,535 |
| 1898 . . . | 2,164 | 183,657,046 | 122,066,653 | 135.8 | 11,642,993 |
| 1899 . . . | 2,253 | 222,673,634 | 147,783,280 | 164.4 | 13,467,802 |
| 1900 . . . | 2,554 | 216,766,903 | 158,851,730 | 176.7 | 17,697,540 |
| 1901 . . . | 2,477 | 219,249,806 | 166,293,003 | 185.0 | 24,057,360 |
| 1902 . . . | 2,427 | 222,120,693 | 173,222,689 | 192.7 | 24,794,154 |
| 1903 . . . | 2,441 | 214,404,088 | 170,346,340 | 189.5 | 29,966,661 |
| Total . | 17,564 | 1,587,822,333 | 1,133,845,701 | | 136,613,025 |

As the figures in the foregoing table indicate, the capital invested in certain industries was doubled in the four or five years subsequent to 1896, and thenceforward it continued to increase at the same rate. Yet when compared with the amount of capital invested in other kinds of business,¹ it will

¹ Cf. table, p. 210.

be seen that the increase in capital of the companies engaged in these industries was far smaller than that of companies engaged in agricultural and commercial business and in communication. The percentage of this industrial investment compared with the total amount of investment in all these different kinds of business, too, was generally less than 20 per cent; so that it may be seen that industrial investment did not increase steadily during said years. In a word, it may be stated that industrial enterprises did not make any considerable progress during this period.

RATIO OF INDUSTRIAL INVESTMENT TO TOTAL INVESTMENT

| Year | Industrial companies | Agricultural companies | Commercial companies | Communication companies | Total | Ratio of industrial investment to the total |
|------------|----------------------|------------------------|----------------------|-------------------------|-----------------|---|
| | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> | <i>Per cent</i> |
| 1896 . . . | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 22.6 |
| 1897 . . . | 117.2 | 134.5 | 135.0 | 145.5 | 134.0 | 19.8 |
| 1898 . . . | 135.8 | 141.0 | 155.7 | 174.2 | 156.4 | 19.6 |
| 1899 . . . | 164.4 | 139.0 | 174.1 | 175.0 | 172.0 | 21.6 |
| 1900 . . . | 176.7 | 157.8 | 201.9 | 202.0 | 196.0 | 20.4 |
| 1901 . . . | 185.0 | 159.7 | 216.5 | 214.8 | 208.7 | 10.0 |
| 1902 . . . | 192.7 | 154.0 | 228.4 | 232.0 | 221.1 | 19.7 |
| 1903 . . . | 189.5 | 192.9 | 234.4 | 231.7 | 223.3 | 19.2 |

Of the industrial companies whose paid-up capital is represented in the foregoing table, those having one million *yen* or more at the end of the year 1903, and making somewhat rapid progress, were the companies engaged in the branches of industry given in the following table. The condition of these companies indicates fairly well the general condition of the business world following the Sino-Japanese War.

As the figures in this table indicate, the industries which made most progress during this period were the cleaning of grain, manufacturing of soy bean paste, and tobacco, ship-building, electric light manufacturing, printing, paper milling, and cement manufacturing. All these industries except tobacco, whose success had a great deal to do with the establishment of the government monopoly system, attained

PROGRESS OF INDUSTRIES, 1896-1903

| Industry | December 31, 1896 | December 31, 1899 | December 31, 1903 | Increase of 1903 over 1896 |
|--|----------------------|------------------------|----------------------|----------------------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Per Cent</i> |
| Grain refining | 344,668 | 1,255,978 | 1,498,426 | 435 |
| Sake brewing | 2,056,895 | 6,133,044 | 3,748,253 | 182 |
| Beer brewing | (unknown) | 2,756,940 ^a | 3,156,470 | .... |
| Soy and bean paste manufacturing | 325,392 | 928,460 | 1,943,796 | 598 |
| Sugar refining | 1,474,106 | 2,419,968 | 2,710,300 | 184 |
| Tobacco manufacturing | 1,113,099 | 11,320,965 | 13,385,933 | 1,202 |
| Manufacturing of medi- cines and chemicals . . | (unknown) | (unknown) | 2,132,865 | .... |
| Cotton spinning | 28,770,847 | 30,313,054 | 32,666,875 | 114 |
| Other spinning | (unknown) | 5,195,891 | 7,010,070 | .... |
| Raw silk | 3,869,877 | 4,547,215 | 4,620,788 | 119 |
| Hemp yarn | (unknown) | 3,066,120 ^a | 1,607,230 | .... |
| Silk textiles | 245,355 | 748,079 | 2,075,844 | 846 |
| Cotton textiles | 2,355,178 | 3,975,940 | 1,201,199 | 51 |
| Hemp textiles | 790,000 | (unknown) | 1,788,400 | 226 |
| Woolen textiles | 814,416 | 2,367,000 | 1,926,750 | 237 |
| Mining and refining . . . | 8,585,560 | 10,020,418 | 10,933,235 | 127 |
| Shipbuilding | 2,272,866 | 5,011,600 | 10,530,100 | 463 |
| Railway wheel making | (unknown) | (unknown) | 1,470,000 | .. |
| Electric light works . . . | 4,624,097 | 7,909,018 | 12,151,561 | 263 |
| Gas works | (unknown) | 2,302,400 ^a | 5,544,500 | .. |
| Printing | 690,067 | 992,061 | 1,806,814 | 262 |
| Paper milling | 2,872,793 | 6,265,095 | 8,729,661 | 304 |
| Tanning and manufactur- ing of leather goods | 523,250 | 636,485 | 1,128,815 | 216 |
| Nets and rods | 668,210 | 648,410 | 1,033,500 | 155 |
| Petroleum boring and refining | 9,500,000 | 14,241,109 | 4,497,743 | 47 |
| Cement making | 1,330,000 | 4,078,085 | 3,767,374 | 283 |
| Fertilizer manufacturing | (unknown) | 660,560 | 1,850,462 | .. |

^a As of December 31, 1900.

their several degrees of progress as a result of the general advance in the conditions of society at large after the war.

Let us then note the number of factories in operation, with the number and horse power of machines in use, and we shall see what remarkable progress the totals in the following table indicate.¹

Now let us compute the number of factory hands. Between 1896 and 1906, this was about 430,000, without any considerable change during these years. About 40 per cent

¹ Cf. detailed figures given on pp. 221 and 222 relative to the ages and summary of factory hands, etc.

FACTORIES IN OPERATION AND HORSEPOWER OF ENGINES

| Year | Number of factories | Percentage | Number of engines | Percentage | Horse power | Percentage |
|----------|---------------------|------------|-------------------|------------|-------------|------------|
| 1893 ... | 3,019 | 100.0 | 2,080 | 100.0 | 32,811 | 100.0 |
| 1894 ... | 5,985 | 198.7 | 4,020 | 193.3 | 41,031 | 125.1 |
| 1895 ... | 7,154 | 237.0 | 4,989 | 239.9 | 61,252 | 186.7 |
| 1896 ... | 7,640 | 253.1 | 5,459 | 262.5 | 64,429 | 196.4 |
| 1897 ... | 7,287 | 241.4 | 5,880 | 282.7 | 63,434 | 193.3 |
| 1898 ... | 7,085 | 234.7 | 5,172 | 248.7 | 79,016 | 240.8 |
| 1899 ... | 6,699 | 221.9 | 4,093 | 196.8 | 76,885 | 234.3 |
| 1900 ... | 7,284 | 241.3 | 3,977 | 191.2 | 95,392 | 290.7 |
| 1901 ... | 7,349 | 243.4 | 4,551 | 218.8 | 91,585 | 279.1 |
| 1902 ... | 7,821 | 259.1 | 4,808 | 231.2 | 100,901 | 307.5 |
| 1903 ... | 8,274 | 274.1 | 5,226 | 251.3 | 102,797 | 313.3 |

of these hands were males, and the remaining 60 per cent females. Considered as to age, 90 per cent of the total number were 14 years or older, and the remaining 10 per cent young hands less than 14 years of age. About 93.4 per cent of the total number of male hands, and about 85.6 per cent of the total number of female hands were more than 14 years of age. From these figures, it may be inferred that the number of young hands (those under 14 years of age) was small among male hands, but comparatively large among female hands, as Table I at the end of this chapter¹ indicates.

Of the figures given in the foregoing pages, the most important may be summarized as shown in the table on the next page. As some figures are lacking in the table, we can not make comparison with the time previous to the war. While it is true that during and after the war industrial schemes were started in various parts of the country, yet we must realize that the industrial development attained by the Japanese during those years can not be called remarkable. Except in the production of half-manufactured articles, an industry which had been developing in Japan even before the war, the progress made during this period was only in those branches of industry devoted to the production of articles for home consumption or those necessitated by the improvement in standards of living, but not for export. This may be

¹ *Post*, p. 218.

RATIO OF CAPITAL INVESTED, FACTORIES AND FACTORY HANDS, 1893-1903

| Year | Paid-up capital | No. of factories | No. of engines | Horse-power | No. of factory hands | | |
|----------|-----------------|------------------|----------------|-------------|----------------------|-----------|-----------|
| | | | | | Male | Female | Total |
| 1893 ... | (unknown) | 100.0 | 100.0 | 100.0 | (unknown) | (unknown) | (unknown) |
| 1894 ... | (unknown) | 198.2 | 193.3 | 125.1 | (unknown) | (unknown) | (unknown) |
| 1895 ... | (unknown) | 237.0 | 239.9 | 186.7 | (unknown) | (unknown) | (unknown) |
| 1896 ... | 100.0 | 253.0 | 262.5 | 196.4 | 100.0 | 100.0 | 100.0 |
| | | 100.0 | 100.0 | 100.0 | | | |
| 1897 ... | 117.2 | 241.4 | 282.7 | 190.6 | 105.5 | 97.5 | 100.7 |
| | | 95.4 | 107.7 | 98.5 | | | |
| 1898 ... | 135.8 | 234.7 | 248.7 | 240.8 | 101.7 | 89.5 | 94.4 |
| | | 92.7 | 94.7 | 122.6 | | | |
| 1899 ... | 164.4 | 221.9 | 196.8 | 234.3 | 86.6 | 98.0 | 93.4 |
| | | 87.7 | 75.0 | 119.3 | | | |
| 1900 ... | 176.7 | 241.3 | 191.2 | 290.7 | 88.7 | 94.9 | 92.4 |
| | | 95.4 | 72.9 | 148.1 | | | |
| 1901 ... | 185.0 | 243.4 | 218.8 | 279.1 | 90.6 | 98.2 | 95.2 |
| | | 96.2 | 83.4 | 142.1 | | | |
| 1902 ... | 192.7 | 259.1 | 231.2 | 307.5 | 106.3 | 119.6 | 114.3 |
| | | 102.4 | 88.1 | 156.6 | | | |
| 1903 ... | 189.5 | 274.1 | 251.3 | 313.3 | 104.4 | 115.1 | 110.8 |
| | | 108.3 | 95.7 | 159.6 | | | |

seen from the fact that of the total value of exports from Japan to foreign countries in these years, half-manufactured articles were usually 45 or 50 per cent. However, the value of imported half-manufactured articles was between 15 and 20 per cent against about 25 per cent of manufactured articles, while the value of imported manufactured articles was 26 to 30 per cent, although this percentage began gradually falling towards the end of the decade 1893-1903.

In summing up, it may be stated that while we must admit that after the Sino-Japanese War the Japanese were encouraged by the favorable economic condition to start various industrial enterprises, these schemes were on rather a small scale. Then, again, the various industries thus started were all for the purpose of supplying domestic needs, and no development was attained in industries for the production of export articles. Though the glorious victory and the intervention of the Powers hastened the national awakening of the Japanese people to a great extent, yet it was still too early for any elaborate reorganization of the industrial world. The government was too busy with work such as the administration of state finances, the reform of the currency system, adjustment of the money market, preparation of armaments, etc. As to

the people, it was only a short time after the country had been opened to foreign intercourse, and they did not have capital enough to do any work independent of the government. For these reasons, neither the government nor people of Japan could yet lay a firm foundation for the establishment of what may be called an industrial empire in Japan. This they ought to have done as a result of the war, and it is much to be regretted that it was impracticable, because the establishment of an industrial empire is an indispensable requisite in the improvement of international finance. When we consider the elevation in Japan's international position after the war, the maintenance of the gold standard adopted after the war, and the increase in the people's purchasing power which accompanied the importation of the indemnity from China, we regret this the more. Even at the present time (1915), about 20 years after the Sino-Japanese War, we have still failed to establish such an industrial empire, hindered especially by the Russo-Japanese War, and this fact alone tells something of the industrial conditions of Japan in those post-bellum years.

THE STATE OF INDUSTRIAL CAPITAL

The general condition of capital investment in industrial works was briefly set forth in the previous section. We shall now consider the amounts of paid-up capital in the hands of companies engaged in the principal branches of industry. Table II at the end of this chapter¹ gives the figures for the years 1896-1903.

None of these figures suggest large investments certainly. Industries were started during these years either for the purpose of meeting home demands or of laying the foundations for later development, as when Japan might become a leader in the production of articles for export to foreign countries.

THE STATE OF INDUSTRIAL LABOR

In the statistics published by the Department of Agriculture and Commerce as to the condition of industrial factory

¹ *Post*, p. 219.

labor in Japan, figures for 1895 and earlier are lacking, so that we have not the materials for a comparison of the conditions of factory labor before and after the Sino-Japanese War. An investigation of the average number of factory hands employed in industrial work, as furnished in the official statistics published since the year 1896, shows us that about 10 per cent of the whole population of the empire was employed in this kind of labor. See Table III at the end of this chapter.¹

If the factory hands enumerated in Table III are divided into two classes, adult and young, with the age of 14 as the dividing point, we shall find that the adult hands (14 years old or older) are about 90 per cent of the total. See Table IV at the end of this chapter.²

The proportion between male and female hands is 40 per cent male and 60 per cent female. Although the number of male hands did not increase much during these years, the number of female hands increased somewhat rapidly. Of the male hands, about 94 per cent were adults, while of the female hands, adults formed about 87 per cent of the whole number. Therefore it may be inferred that young female hands were more numerous than male. See Table V at the end of this chapter.³

Percentages as to average daily wage of adult factory hands in the principal branches of industry (such as flour milling, yarn spinning, manufacturing of textile fabrics, knitting, machine making, shipbuilding, furnace working, gas works, paper milling, dyeing, etc.) during this period, as investigated by the Department of Agriculture and Commerce, are given in Table VI at the end of this chapter.⁴ Compared with independent workmen such as carpenters, plasterers, etc., the increase in wage appears rather small.

As regards the kinds of independent labor given in the table for reference, further notes will be given in Chapter VIII, pages 278-319.

These facts clearly show us that the condition of factory hands was generally bad compared with that of independent

¹ *Post*, p. 220.

² *Post*, p. 221.

³ *Post*, p. 222.

⁴ *Post*, p. 223.

workmen. Let us now compare the price of factory labor with the prices of commodities. See Table VII at the end of this chapter.¹

As shown by the figures given in Table VII, the prices of commodities rose more rapidly than the wages of factory hands. It is obvious that the rise in the prices of commodities brought about a rise in house rent and other items concerned in the cost of living, and a consequent pressure upon the life of the working class. This wage, low compared with the wage of independent workmen, which rose more rapidly than the prices of commodities, made the position of factory hands very difficult during these years.

Let us now investigate the number of hours these factory hands had to work a day. In those days we had no factory law in operation. Then again, factory owners were not farsighted about the management of their factories, nor did they experience any trouble with their factory hands. It is obvious that the latter were forced to work excessively long hours a day—doubtless as much as 12 or 13 hours, although we have no authentic statistics at hand to prove it. This we may infer, however, from the fact that when a 12-hour day clause was inserted in the factory law which was prepared in quite recent years, objection was raised by many of the authorities best acquainted with the condition of factories in Japan. As it was, the appearance of the factory labor class, which had not existed in old Japan, presented a serious question which the leaders of the country were called upon to investigate from the points of view of social customs, public sanitation and the preservation of the family system in the country. In a word, it may be stated that after the Sino-Japanese War, unusual activity was manifested in industrial circles in Japan, with a consequent heavy demand for factory hands. This demand for factory labor brought about in some degree an increase in the income of the working class. At the same time, however, as there was no factory system established in those days, the appearance of this

¹ *Post*, p. 223.

factory labor class encouraged an undesirable tendency in society, which should be seriously investigated in the interests of public sanitation, health, and morality. In other words, the factory labor class is the most interesting by-product of the industrial developments which followed the Sino-Japanese War. And the appearance of this factory labor class requires the leaders of the country to devise improvements in the factory system and the condition of the people of this class, for the sake of the industrial development of the country as well as public sanitation and the health of the people in general.

TABLE I.—NUMBER OF FACTORY WORKERS

| Year | Factory hands over 14 | | | Factory hands under 14 | | | Total | | | Percentage |
|----------------|-----------------------|---------|---------|------------------------|--------|--------|---------|---------|---------|------------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total | |
| 1896 | ... | ... | ... | ... | ... | ... | 174,656 | 261,960 | 436,616 | 100.0 |
| 1897 | ... | ... | ... | ... | ... | ... | 184,244 | 255,305 | 439,549 | 100.7 |
| 1898 | ... | ... | ... | ... | ... | ... | 177,632 | 234,573 | 412,205 | 94.4 |
| 1899 | 142,682 | 223,042 | 365,724 | 8,584 | 33,721 | 42,305 | 151,266 | 256,763 | 408,029 | 93.4 |
| 1900 | 146,720 | 220,160 | 366,880 | 8,137 | 28,457 | 36,594 | 154,857 | 248,617 | 403,474 | 92.4 |
| 1901 | 150,309 | 226,771 | 377,080 | 7,906 | 30,569 | 38,475 | 158,215 | 257,340 | 415,555 | 95.2 |
| 1902 | 109,816 | 263,642 | 433,458 | 15,806 | 49,627 | 65,433 | 185,622 | 313,269 | 498,891 | 114.3 |
| 1903 | 173,828 | 269,051 | 442,879 | 8,576 | 32,384 | 40,960 | 182,404 | 301,435 | 483,839 | 110.8 |

TABLE II.—PAID-UP CAPITAL INVESTED IN INDUSTRIES, 1896-1903

| Industry | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| Sake brewing | 2,056,895 | 3,901,196 | 5,107,122 | 6,133,044 | 5,484,699 | 4,364,337 | 4,245,612 | 3,748,253 |
| Soy and bean paste manufacturing | 325,392 | 536,962 | 811,671 | 928,460 | 1,267,778 | 1,277,334 | 1,481,786 | 1,943,796 |
| Sugar refining | 1,474,106 | 1,667,570 | 2,075,672 | 2,419,968 | 2,591,000 | 2,648,500 | 2,737,000 | 2,710,300 |
| Grain refining | 344,668 | 645,759 | 1,014,652 | 1,255,978 | 1,549,245 | 1,534,689 | 1,763,034 | 1,498,426 |
| Tobacco manufac- turing | 1,113,099 | 3,196,361 | 932,724 | 11,320,965 | 11,351,673 | 11,245,063 | 13,271,002 | 13,385,933 |
| Cotton spinning | 28,770,847 | 34,106,083 | 32,384,413 | 30,313,054 | 35,283,681 | 36,108,983 | 35,367,058 | 32,666,875 |
| Other spinning | 3,869,877 | 3,292,877 | 4,175,459 | 5,195,891 | 5,059,215 | 6,302,837 | 7,834,846 | 7,010,070 |
| Raw silk | 3,869,877 | 3,292,877 | 3,990,850 | 4,547,215 | 4,991,086 | 5,635,320 | 4,787,920 | 4,620,788 |
| Manufacturing of va- rious kinds of tex- tiles | 2,355,178 | 2,400,466 | 1,989,569 | 2,033,112 | 2,047,560 | 2,187,323 | 703,150 | 454,950 |
| Cotton textiles | 814,416 | 1,399,295 | 2,189,769 | 3,975,940 | 2,074,272 | 3,469,003 | 1,364,391 | 1,201,199 |
| Woolen textiles | 8,585,560 | 5,060,637 | 2,422,489 | 2,367,000 | 2,608,800 | 1,963,000 | 2,547,832 | 1,926,750 |
| Mining and refining Shipbuilding | 2,272,866 | 3,205,783 | 10,067,500 | 10,020,418 | 10,244,350 | 9,655,412 | 6,830,100 | 10,933,235 |
| Electric light works Gas works | 4,624,097 | 5,610,714 | 5,297,416 | 5,011,600 | 7,940,767 | 8,710,032 | 10,653,210 | 10,530,100 |
| Printing | 690,067 | 846,588 | 1,032,828 | 992,061 | 2,303,400 | 2,131,500 | 10,347,490 | 12,151,561 |
| Paper milling | 2,872,793 | 4,685,025 | 6,640,405 | 6,265,095 | 1,550,448 | 1,678,264 | 1,851,712 | 5,544,500 |
| Petroleum boring and refining | 1,754,369 | 2,281,432 | 2,575,444 | 2,885,282 | 6,358,843 | 6,285,581 | 7,099,991 | 7,610,060 |
| Coal | 48,450 | 120,752 | 166,307 | 143,675 | 237,775 | 262,456 | 206,082 | 251,518 |
| Tile and brick manu- facturing | 1,056,134 | 2,136,223 | 2,260,498 | 2,166,482 | 2,110,483 | 2,216,741 | 2,169,675 | 1,813,431 |
| Cement making | 1,330,000 | 2,704,800 | 3,733,221 | 4,078,085 | 4,501,991 | 4,221,106 | 3,993,500 | 3,767,374 |
| Fertilizer manufac- turing | 660,337 | 660,337 | 660,337 | 660,560 | 957,130 | 981,690 | 1,682,702 | 1,850,462 |

TABLE III.—NUMBER OF MALE AND FEMALE FACTORY WORKERS COMPARED WITH TOTAL POPULATION

| Year | Males | | Females | | Total | | Increasing ratio of factory hands |
|-----------|--------------------|-------------------------|--------------------|-------------------------|---------------|-------------------------|-----------------------------------|
| | Number of laborers | Total number in country | Number of laborers | Total number in country | Factory hands | Population ^a | |
| | | | | | | | |
| 1896..... | 174,656 | 21,823,651 | 261,960 | 21,405,212 | 436,616 | 43,228,863 | 100.0 |
| 1897..... | 184,244 | 22,074,242 | 255,305 | 21,689,613 | 439,549 | 43,763,855 | 101.1 |
| 1898..... | 177,632 | 22,334,908 | 234,573 | 21,935,598 | 412,205 | 44,270,495 | 102.4 |
| 1899..... | 151,266 | 22,617,853 | 256,763 | 22,207,763 | 408,029 | 44,825,597 | 103.7 |
| 1900..... | 154,857 | 22,937,995 | 248,617 | 22,508,402 | 403,474 | 45,446,369 | 105.1 |
| 1901..... | 158,215 | 23,243,675 | 257,340 | 22,798,127 | 415,555 | 46,041,768 | 106.5 |
| 1902..... | 185,622 | 23,601,640 | 313,269 | 23,131,236 | 498,891 | 46,732,876 | 108.1 |
| 1903..... | 182,404 | 23,836,409 | 301,435 | 23,383,162 | 483,839 | 47,219,566 | 109.2 |

^a The figures for the whole population given in the table for each year were as standing on the first of January following the year for which they were given. The figures for the whole population given for some years differ from the totals of males and females given for the same years put together. This is because those whose sex was not distinguished were counted in the total, or whole population only.

TABLE IV.—PERCENTAGE OF ADULT AND MINOR FACTORY HANDS TO TOTAL NUMBER

| Year | Factory hands 14 years or older | | | Factory hands under 14 years | | | Percentage compared with total | |
|-----------|---------------------------------|----------------|----------------|------------------------------|----------------|----------------|--------------------------------|----------------|
| | Male | Female | Total | Male | Female | Total | Adult hands | Young hands |
| | (Unknown) " | (Unknown) " | (Unknown) " | (Unknown) " | (Unknown) " | (Unknown) " | (Unknown) " | (Unknown) " |
| 1896..... | | | | | | | | |
| 1897..... | | | | | | | | |
| 1898..... | | | | | | | | |
| 1899..... | 142,682 | 223,042 | 365,724 | 8,584 | 33,721 | 42,305 | 89.6 | 10.4 |
| 1900..... | 146,720 | 226,160 | 366,880 | 8,137 | 28,457 | 36,594 | 90.9 | 8.1 |
| 1901..... | 150,309 | 226,771 | 377,080 | 7,906 | 30,569 | 38,475 | 90.7 | 9.3 |
| 1902..... | 169,816 | 263,642 | 433,458 | 15,806 | 49,627 | 65,433 | 86.9 | 13.1 |
| 1903..... | 173,828 | 269,051 | 442,879 | 8,576 | 32,384 | 40,960 | 91.5 | 8.5 |

TABLE V.—COMPARISON OF NUMBER OF ADULT MALE AND FEMALE FACTORY HANDS

| Year | Proportion of male and female workers | | Proportion of adult workers | | Relative increase | | |
|-----------|---------------------------------------|----------|-----------------------------|--------------------|-------------------|----------|----------|
| | Male | Female | Male | Female | Male | Female | Total |
| | Per cent | Per cent | Per cent (Unknown) | Per cent (Unknown) | Per cent | Per cent | Per cent |
| 1896..... | 40.0 | 60.0 | (Unknown) | (Unknown) | 100.0 | 100.0 | 100.0 |
| 1897..... | 41.9 | 58.1 | " | " | 105.5 | 97.5 | 100.7 |
| 1898..... | 43.1 | 56.9 | " | " | 101.7 | 89.5 | 94.4 |
| 1899..... | 37.1 | 62.9 | 94.3 | 86.9 | 86.6 | 98.0 | 93.4 |
| 1900..... | 38.4 | 61.6 | 94.7 | 88.6 | 88.7 | 94.9 | 92.4 |
| 1901..... | 38.1 | 61.9 | 95.0 | 88.1 | 90.6 | 98.2 | 95.2 |
| 1902..... | 37.2 | 62.8 | 91.5 | 84.2 | 106.3 | 119.6 | 114.3 |
| 1903..... | 37.7 | 62.3 | 95.3 | 89.3 | 104.4 | 115.1 | 110.8 |

TABLE VI.—AVERAGE DAILY WAGES OF FACTORY WORKERS COMPARED WITH WAGES OF INDEPENDENT WORKMEN

| Year | Daily wage of factory hands ^a | | Daily wage of 43 kinds of independent workmen in Tokyo ^b | Daily wage of 21 kinds of independent workmen in Osaka ^c | Daily wage of 24 kinds of independent workmen ^d | Average |
|------|--|--------|---|---|--|---------|
| | Male | Female | | | | |
| 1899 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1900 | 105.9 | 104.4 | 113.1 | 108.4 | 104.8 | 108.8 |
| 1901 | 105.3 | 107.2 | 114.8 | 105.8 | 109.6 | 110.1 |
| 1902 | 106.7 | 103.8 | 115.4 | 107.6 | 107.9 | 110.3 |
| 1903 | 106.2 | 105.4 | 115.2 | 117.4 | 108.1 | 113.6 |

^a Investigation by Department of Agriculture and Commerce.^b Investigation by Financial Department.^c Investigation of Finance Bureau of Department of Finance.^d Investigation of Bank of Japan.

TABLE VII.—WAGES OF FACTORY WORKERS COMPARED WITH PRICES OF COMMODITIES

| Year | Wages | | | Prices of commodities | | | Average wage of independent workers |
|------|-------|--------|---------|-----------------------|----------|----------------------------------|-------------------------------------|
| | Male | Female | Average | In Tokyo | In Osaka | 40 kinds of commodities in Tokyo | |
| 1899 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1900 | 105.9 | 104.4 | 105.2 | 109.6 | 111.3 | 107.0 | 108.8 |
| 1901 | 105.3 | 107.2 | 106.3 | 101.6 | 111.1 | 102.1 | 110.1 |
| 1902 | 106.7 | 103.8 | 105.3 | 99.5 | 110.8 | 99.8 | 110.3 |
| 1903 | 106.2 | 105.4 | 105.8 | 101.9 | 116.5 | 107.0 | 113.6 |

Average index-numbers in three groups as given above

CHAPTER V

EFFECTS ON COMMERCE

The ill effects that the commerce and trade of Japan in general suffered from the Sino-Japanese War were comparatively small. Although the interruption in transportation by land and water caused by the transporting of troops and civilians in connection with the war (amounting to 300,000) interfered with the supply of necessary merchandise for a short time, resulting in a subsequent rise in prices, yet these difficulties were soon removed; especially as the government paid careful attention to the money market and as conditions were favorable to Japan all through the war, the Japanese Navy having complete control over the China Sea. For these reasons Japan's trade with America and Europe was rather more prosperous than before and trade with China and Korea did not suffer much. In order to show the state of commerce and trade in general during the war, we shall now call attention to the table on the following page which gives the amount of negotiable paper handled, the notes cleared, and the present general condition of the country's foreign trade during these years.

As we see from the figures, neither the volume of commerce at home nor that of foreign trade decreased; indeed there was more or less increase in each case.

While it is true, as just stated, that during the war no adverse effects were suffered by trade in general, yet after the war important effects were more apparent. The minds of the Japanese people in general were decidedly stimulated, for as the fruits of the war Japan obtained an indemnity of 200 million *taels* in Chinese Kuping silver, and the concession of the Island of Formosa. Enthusiasm for business enterprises speedily developed among the people, and this, coupled with the government's post-bellum program, created unusual activ-

NEGOTIABLE PAPER AND FOREIGN TRADE DURING WAR PERIOD

| | 1893 | 1894 | 1895 |
|--|--------------------------|--------------------------|--------------------------|
| Notes handled by Tokyo associated banks: | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Receipts..... | 71,234,966 | 85,203,203 | 98,809,120 |
| Expenditures..... | 100,467,393 | 103,144,795 | 137,943,935 |
| Notes handled by Osaka associated banks: | | | |
| Receipts..... | 44,033,992 | 46,981,007 | 64,438,604 |
| Expenditures..... | 66,320,081 | 82,863,147 | 102,981,074 |
| Negotiable paper handled by Tokyo Clearing House: | | | |
| Amount presented..... | 188,591,742 | 227,767,017 | 356,841,068 |
| Amount cleared..... | 148,018,870 ^a | 185,597,502 ^b | 289,102,425 ^c |
| Negotiable paper handled by Osaka Clearing House:..... | 63,600,661 | 67,543,806 | 79,654,118 |
| Foreign Trade: | | | |
| China and Korea: | | | |
| Exports..... | 9,015,663 | 11,179,099 | 12,966,586 |
| Imports..... | 19,095,414 | 19,694,820 | 25,910,544 |
| Europe and America: | | | |
| Exports..... | 57,933,054 | 76,825,062 | 94,327,590 |
| Imports..... | 46,482,956 | 67,608,724 | 75,543,047 |
| Total..... | 177,970,038 | 220,728,042 | 265,372,754 |

^a 78.5 per cent of amount presented.^b 81.5 per cent of amount presented.^c 81.1 per cent of amount presented.

ity in business. In addition to the importation of cash with such great purchasing power as the indemnity from China, there was a large inflow of foreign capital as a result of the adoption of the gold standard for the country's currency system. Various kinds of enterprises were therefore started in all parts of the country and carried on by means of the financial facilities afforded by a special form of bank, the immovable property banks, which the government instituted after the war. These all overcame the various difficulties that beset the money market after the war, and, without occasioning any serious hindrance to commerce in general, brought about an entire change in the conditions of commerce and trade from those obtaining before the war.

Table I at the end of this chapter¹ is illuminating in this connection.

These statistics do not cover all of the items concerned, yet give some idea of the general conditions of commerce and trade after the Sino-Japanese War.

Let us now investigate the subject of capital employed by the companies engaged in commerce and trade since 1896. The percentage of increase in the paid-up capital of these companies was far greater than that in the capital of companies engaged in such business as agriculture, industry and transportation by land and water. And of the various branches of commerce and trade the most highly developed during these years were money lending, warehousing, insurance, sugar, fishery and marine products, raw cotton, cotton yarn, raw silk, textile fabrics, publication and sale of books and newspapers, etc., timber and lumber trading, sale and purchase of immovables, and banking. Each of these branches of commerce made progress in consequence of the general development of the country which followed the war. Let us first examine the outstanding facts as to the capital invested in commerce during this period, as given in Table II at the end of this chapter.²

While the figures just given represent only a portion of the commercial agencies in existence, yet from these figures we may judge the general condition of commerce during these years. To explain this unusually rapid development, we may mention (1) the starting of various sorts of enterprises by the government as well as private individuals after the war, (2) the increase in the purchasing power of the people, especially the lower classes, resulting from the monetary gifts and other payments made them for their services in the war, and also from the greater demand for labor of this period. This increase in the people's purchasing power naturally brought about a rise in the prices of commodities, and an excess of imports over exports in the country's foreign trade. In the following pages we shall further examine the effects of the

¹ *Post*, p. 239.

² *Post*, p. 240.

war upon the domestic commerce and foreign trade of the country.

DOMESTIC COMMERCE

Domestic commerce in general

That during and after the Sino-Japanese War domestic commerce in Japan did not suffer seriously in any way, but rather attained to a more healthy development, was briefly stated in the foregoing section. Let us now consider the same subject in a little more detail and from various points of view.

Let us, first of all, note the condition of the money market, as presented in Table III at the end of this chapter.¹ The figures show us that as soon as business began to recover from the effects of the war, the supply of capital in the market became liberal, which fact indicates the general condition of commerce during these years. Next let us investigate the buying and selling of merchandise, which always promptly reflects commercial conditions. Below are given statistics as to the volume of goods carried by railways, although the goods carried were not for domestic commerce only.

VOLUME OF GOODS TRANSPORTED BY RAILWAYS *

| Year | State railways | Private railways | Total | |
|-----------|----------------|------------------|-------------|------------------------|
| | | | Tonnage | Percentage of increase |
| | <i>Tons</i> | <i>Tons</i> | <i>Tons</i> | |
| 1893..... | 1,076,689 | 2,414,394 | 3,491,083 | 100.0 |
| 1894..... | 1,018,298 | 3,265,404 | 4,283,702 | 122.7 |
| 1895..... | 1,100,059 | 4,231,353 | 5,331,412 | 152.7 |
| 1896..... | 1,266,119 | 5,579,112 | 6,845,231 | 196.1 |
| 1897..... | 1,558,194 | 7,070,315 | 8,628,509 | 247.2 |
| 1898..... | 1,793,896 | 8,122,230 | 9,916,126 | 284.0 |
| 1899..... | 2,391,471 | 9,428,563 | 11,820,034 | 338.6 |
| 1900..... | 2,806,560 | 11,594,960 | 14,401,520 | 412.5 |
| 1901..... | 2,659,602 | 11,750,150 | 14,409,752 | 412.8 |
| 1902..... | 3,183,720 | 12,938,951 | 16,122,671 | 461.8 |
| 1903..... | 3,492,622 | 14,268,690 | 17,761,312 | 508.8 |
| Total.... | 22,347,230 | 90,664,122 | 113,011,352 | |

* Prepared and published by Imperial Government Railways.

¹ *Post*, p. 241.

Again let us investigate those branches of business upon which a tax was levied in accordance with the Business Tax Law¹ promulgated in March, 1896, and enforced on January 1 of the following year. Since this law has been in force only from 1897, we have no authentic materials for comparison with conditions prior to that year, especially from 1893 to 1896, yet the statistics given below doubtless furnish materials from which we may ascertain the true condition of commerce during these years. The business tax of the law referred to was imposed upon 24 different forms of business, but we shall confine ourselves to the sale of commodities. The standards for rating the tax were three, viz., (a) the total value of the merchandise sold during the previous year, (b) the average rent of buildings in the previous year and (c) the maximum number of employes engaged in the business in the year previous. The figures are shown in Table IV at the end of this chapter.²

According to the law referred to, the business tax was imposed upon such persons, engaged in business, as sold merchandise to the value of 1,000 *yen* or more a year. Although the law states that the tax was to be levied in accordance with said triple standards, in reality it was not, because of the many difficulties attending the application of such a law. The figures prepared by the tax collectors and given in the preceding table do not of course indicate the total amount of the commercial transactions of the country during this period, yet assuredly they do give some idea of the general commercial conditions of the time.

From these it may be inferred that the development of Japanese commerce during said years was comparatively great. Of course it must be remembered that the said business tax was first levied after the war, when the country's commerce had attained considerable progress. While we regret that we have no authentic written materials from which to ascertain the state of commerce previous to the war, especially during the years from 1893-1896, and also that we can not give here

¹ Law No. 33.

² *Post*, p. 242.

the exact commercial development that Japan made since that time, yet considering the economic development effected both before and after the war, it is reasonable to infer that during the same period the country made considerable progress in commerce, too.

Table V at the end of this chapter¹ will show the state of capital of the various kinds of important commercial companies.

From the data given above it may be concluded that during and after the Sino-Japanese War, Japanese commerce did not suffer any reverses, but even made some progress.

Trade between Japan proper and the colonies

The colonial history of Japan began with the acquisition of Formosa and the Pescadores, which were ceded to her by China as a result of the Sino-Japanese War. The area of the new possessions is 2,324.11 square miles for Formosa, and 7.99 square miles for the Pescadores, making a total of 2,332.¹ square miles (391.5 square *ri*) or about 9.4 per cent of the total area of the Empire before the acquisition of these possessions—24,794.36 square *ri*. These islands extend from the tropical to the sub-tropical zone, and abound in valuable resources, especially in those products in which Japan proper is wanting, and thus their effect upon the market in Japan is favorable in many respects. Let us examine the statistics relating to the trade between Japan proper and Formosa since the acquisition of the latter island, as given in the table on the following page.

Of all the favorable effects that the possession of the island of Formosa has had on domestic commerce in Japan proper, the most striking has come from her production of sugar. Before our acquisition of Formosa, we had to import most of the sugar consumed in our land from foreign countries, but since we acquired Formosa, there had been a gradual change, and now Formosa not only supplies all the sugar consumed in Japan, but even exports the excess of her production to foreign

¹ *Post*, p. 243.

markets. The sugar industry in Formosa will be treated in detail in the following section.

TRADE BETWEEN JAPAN AND FORMOSA, 1897-1903

| Year | Exports from Japan proper to Formosa | | Imports into Japan proper from Formosa | | Excess of exports over imports |
|--------------|--------------------------------------|------------------------|--|------------------------|--------------------------------|
| | Value | Percentage of increase | Value | Percentage of increase | |
| | <i>Yen</i> | | <i>Yen</i> | | <i>Yen</i> |
| 1897 | 3,723,721 | 100.0 | 2,014,648 | 100.0 | 1,619,074 |
| 1898 | 4,266,768 | 114.6 | 4,142,778 | 205.6 | 123,990 |
| 1899 | 8,011,826 | 215.1 | 3,650,475 | 181.2 | 4,361,351 |
| 1900 | 8,439,033 | 226.6 | 4,402,110 | 218.5 | 4,036,923 |
| 1901 | 8,782,258 | 235.8 | 7,345,956 | 364.6 | 1,436,302 |
| 1902 | 9,235,290 | 248.0 | 7,407,498 | 367.6 | 1,827,792 |
| 1903 | 11,194,788 | 300.6 | 9,729,460 | 482.8 | 1,465,328 |

FOREIGN TRADE

General condition of foreign trade

As mentioned heretofore, the Sino-Japanese War, in which Japan won a great victory over China, awakened the Japanese people to a realization of the striking progress which they had achieved since the time of the Restoration (1868). The Japanese so awakened strove for further progress after the war, and naturally, unusual activity in the economic world followed. In consequence, the foreign trade of Japan, of which we propose to treat in the present section, could not but feel the effect of this general tendency. Before the Sino-Japanese War, foreign trade was quite insignificant, but after the war, striking progress was made in the volume of merchandise, scope of the market, and total value of exports and imports. The statistics given below show the average annual value of exports and imports for every five years since the first year of Meiji (1868). A glance at these shows us that during the period from 1868 to 1893, or just before the outbreak of the war, the largest annual figure for exports and imports attained was 80 million *yen* while in most of the years of the period it was 20 or 30 million *yen*, which means 30 or 40

per cent of the value of the trade in the year 1893. In none of the years of this period did the value of exports and imports exceed 100 million *yen*, but after the year 1894 it exceeded 100 million *yen* and in 1897 it reached 200 million *yen*, creating a record in the trade history of Japan. See Table VI at the end of this chapter.¹

As the figures in Table VI show, our foreign trade made unusual progress after the Sino-Japanese War, but that progress can not be regarded as accidental. It was a natural outcome of the steady economic development which had been in progress since some time before the war, a result of the development of the latent power of the nation. The statistics in Table VII at the end of this chapter² show the state of our foreign trade for a period of ten years, beginning before and continuing after the war.

While, it may not be correct to say that increase in our foreign trade after the Sino-Japanese War was entirely brought about by the war, nevertheless, there can be no doubt that the war marked a stage of great development in the economic world, then just ready for such development, and that this development brought about progress in the foreign trade of the country.

Let us now consider the state of our foreign trade in the ten years following the war. During that period both exports and imports increased about equally, as the figures in Table VIII at the end of this chapter³ show; the value of exports was doubled in 1898, and trebled in 1902, while the import trade advanced even faster, being doubled and trebled a year or two earlier than the export trade.

Thus our foreign trade, as indicated by value of exports and imports, advanced greatly year by year, especially after the war. And this progress was largely due to the increase in the national strength discernible during, and particularly after, the war. Thus among the numerous causes which brought about the advance in foreign trade, we may mention (I) commercial activity, arising from the starting of various

¹ *Post*, p. 244.

² *Post*, p. 245.

³ *Post*, p. 246.

kinds of enterprises and development in systems of transportation on both land and water; (2) the importation of the indemnity from China; (3) the opening to trade of such ports in China as Shashih, Chungking, Hangchow, and Soochow, in addition to those already opened as a result of a Sino-Japanese peace treaty; (4) increased demand for arms and other munitions during and after the war¹; (5) the Japanese acquisition of commercial supremacy in Korea; (6) increase in the income of the people, especially those belonging to the lower classes; (7) the reform in the currency system, which removed anxiety caused by frequent fluctuations in the exchange rate, and favorably affected trade; (8) the abolition of the export duty, which helped to extend the market for Japanese goods; and (9) the revision of commercial treaties with other countries, so long desired by the Japanese Government and people, which laid a firm foundation for the future commercial development of Japan.

About the time of the Sino-Japanese War, the standard of our currency system, as a matter of fact, was silver, and we suffered considerably from its steady depreciation. Since 1873 (6th year of Meiji) the Powers one after another adopted the gold standard for their currency system, putting a limitation on the making of silver coins, and the price of silver gradually fell. In the United States attempts were made to secure a rise in the price of silver by the Brand Silver Purchase Regulations, 1878, and the Sherman Silver Purchase Extension Regulations, 1890; but the general world tendency was against silver, and the United States Government abolished the said silver purchase regulations in 1893. India, too, stopped the unlimited coinage of silver. Consequently the price of silver quickly fell, and while before 1872 it was generally quoted at 60 d., i.e., the ratio of the value of gold to that of silver was 1 to 15½, it fell to 35⅞ d. or 1 to 26½ in 1893. As silver was practically the standard for the Japanese currency system, the fall in the prices of silver placed Japan in a comparatively favorable position in her trade relations. For

¹ Were needed after the war for the replenishment of arsenals, etc.

the fall of silver meant a fall in its price as compared with that of gold, and thus Japanese coins became cheaper than those of countries where gold was the standard. Now China with other Oriental countries, which are the principal markets for Japanese goods, adopted the silver standard, and thus Japanese coins, in competition with the coins of European and American countries with the gold standard system, won in these Oriental markets, and thus in the point of export business in the Orient Japan was in a better position than any of the countries with the gold standard. Now the excess of exports over imports in Japan's foreign trade during the period from 1882-1889 was due to the said condition of Japan's trade with these Oriental countries. On the other hand, however, frequent fluctuations in the price of silver brought about similar fluctuations in quotations on exchange rates, and caused great anxiety to traders, for in the home market any fall in the value of coins¹ means a rise in the prices of commodities. Besides, increase in the volume of currency in circulation after the war brought about a further rise in the prices of commodities. This created a situation beneficial to import trade. Despite the benefit which the fall in the price of silver gave to Japan in her trade with Oriental countries, it was not easy to decide whether the silver standard was advisable for the country after all. Finally, the government, disregarding the immediate minor losses which it might incur, adopted the gold standard on October 1, 1897. And this reform to no small extent laid the foundation for the healthy progress which the foreign trade of Japan has made ever since.

Something must be said here about the revision of the rate of import duty and the abolition of the export duty. Formerly the tariff rates originated in Japan's treaties with different countries. Her first tariff rates were concluded with five countries, viz., England, the United States, France, Russia and the Netherlands in 1858 (5th year of Ansei), and revised in 1866 (2d year of Keiwo). According to the treaties

¹ A fall in the price of silver, when this is the material for the unit coin, is always accompanied by a similar fall in the unit of value.

concluded in 1858, the export duty was 5 per cent *ad valorem*, and the import duty was from 35 per cent (maximum) to 5 per cent (minimum). In case it was not mentioned specially in treaties, it was decided at 20 per cent. But after the revision of 1866, both export and import duties were each 5 per cent *ad valorem*. The import duty was imposed in accordance with the prices of the articles to be taxed, at the port where they were shipped. Now in those days the Japanese were not very familiar with the prices of foreign articles, so the prices upon which the import duty was imposed at Japanese ports were in reality far from the real prices of these articles at the port whence they were shipped. So, although the import duty was fixed by treaty at 5 per cent *ad valorem*, in reality it was in most cases less than 1 per cent *ad valorem*. During the period from 1889 to 1899 the average rate of import duty imposed was only 3.985 per cent. On the other hand, articles exported from Japan in those days were not as a rule special products of the country, so that there was no way of shifting the export duty, and the imposition was entirely confined to the Japanese exporters. Thus before the revision of 1899, the Japanese tariff always benefited foreign traders, but was a bar to export trade from Japan. So revision was carried out, and the revised tariff law¹ was promulgated in 1897 and enforced on January 1, 1899. The rates of duty upon taxable imported articles were fixed in the revised law at from 5 per cent (minimum) to 40 per cent (maximum). Applying these rates to the articles imported during the year 1895, you will see that the rate of import duty thus realized would be on the average 12.35 per cent. Apply again the conventional tariff rates in the revised law to those articles signified in the treaties between Japan and England or Germany for the conventional rates, and you will get an average rate of 10.052 per cent for the same year. Compared with the average rate of 3.98 per cent of import duty previous to the revision, these new rates are far higher. Then, on the other hand, the export duty was entirely abolished on July 17, 1899, and the articles

¹ Law No. 14.

exported from Japan were freed from the imposition of a duty of 3.574 per cent, as the average export duty was during the period from 1889 to 1899. This greatly helped the development of home industries, on the one hand, and, on the other, served to extend our foreign trade. The fact that our foreign trade has made remarkable progress since about 1899 was largely due to the revision of these import and export rates.

Just here we must say a few words about the successive excesses of imports over exports in our trade after the Sino-Japanese War. A glance at the state of our foreign trade since 1893, just before the war, shows that, except 1894 and 1895, each year has so far always seen an excess of imports over exports. This excess indeed reached 83 million *yen* in 1890, which was about 40 per cent of the total value of exports.¹

A glance at the state of our foreign trade from the first year of the Meiji Era shows us that up to 1881 imports always exceeded exports, but in 1882 the condition suddenly changed and exports exceeded imports, and this state continued till 1893. Then, however, imports again exceeded exports. To explain this balance, which has long been in favor of imports as against exports, numerous reasons may be given. But first of all it may be stated that the inconvertible notes which were in circulation in Japan in the early part of the Meiji Era began to be adjusted in 1881; in 1886 the government established the convertible note system, and the prices of commodities were then brought to a normal state in consequence. Before the revision of the currency system, the standard for Japanese currency was silver, so that any fall in the price of silver in those days no doubt benefited exports rather than imports in Japan. But after the war the government revised the currency system, adopting in 1897 the gold standard. Thus she lost the benefit that she had been

¹ In 1898 the excess of imports over exports reached about 112 million *yen*, but this must be regarded as an exception, for a large amount of anticipated import orders was received in that year, in view of the enforcement of the revised tariff law in the following year.

obtaining from the silver standard, i.e., her advantage over gold-standard countries in export trade. Besides, she also incurred losses and inconvenience in the silver-standard countries as well. Then the volume of currency in circulation, which was swelling even at the time of the war, did not decrease, but rather increased after the war, because of business activity resulting from the various enterprises started by both government and people. This increase in the volume of currency in circulation caused a considerable rise in the prices of commodities. Then the receipt of the war indemnity from China, the importation of foreign capital, and the increased demands for foreign-made articles, as a result of the advance in the people's style of living, brought a large amount of foreign capital into Japan at a time when the country's power of manufacturing export articles did not greatly increase. Moreover, with the various kinds of enterprises started both by the government and the people after the war, the country, which had been exporting mainly raw materials, was now about to become an industrial power. These various reasons taken together were responsible for the continuous excess of imports over exports, which was still a feature of our foreign trade in 1915, when this book was prepared.

Having given, as we believe, a true though brief summary of the condition of our foreign trade after the Sino-Japanese War, we shall now briefly investigate in the following pages the facts as to articles either exported from or imported into Japan in these post-bellum years.

Commodities exported and imported

As already briefly stated, during the Sino-Japanese War our foreign trade did not suffer seriously from the war, but rather made healthy progress, as the total value of exports and imports increased. Not only did the commercial policy of the government not interfere during the war with general trade but in fact it brought about some development in our trade with China and Korea, even while the war was in progress, as the following statistics show:

TRADE WITH CHINA AND KOREA, 1893-1895

Exports

| Year | China | | | Korea | | |
|-----------|------------|------------|--------------------|------------|------------|--------------------|
| | Value | Percentage | Ratio to the total | Value | Percentage | Ratio to the total |
| | <i>Yen</i> | | | <i>Yen</i> | | |
| 1893..... | 7,714,000 | 100.0 | 8.6 | 1,301,000 | 100.0 | 1.1 |
| 1894..... | 8,814,000 | 114.3 | 7.8 | 2,365,000 | 181.8 | 2.1 |
| 1895..... | 9,135,000 | 118.4 | 6.7 | 3,831,000 | 248.5 | 2.8 |

Imports

| | | | | | | |
|-----------|------------|-------|------|-----------|-------|-----|
| 1893..... | 17,096,000 | 100.0 | 19.4 | 1,999,000 | 100.0 | 2.3 |
| 1894..... | 17,512,000 | 102.4 | 14.9 | 2,183,000 | 109.7 | 1.9 |
| 1895..... | 22,985,000 | 134.4 | 17.8 | 2,925,000 | 146.3 | 2.3 |

Consequently, Japanese exports to these countries were all in a favorable state, the principal of these exports being matches, cotton yarn and cotton manufactures.

Scarcely less favorable was the state of our trade with Europe and America. With development in our home industries and a better understanding of the conditions in Japan compared with those in European and American countries, the volume of our exports to these countries increased. On the other hand, progress in our home industries and advance in the standard of our civilization increased the demands in Japan for foreign-made articles, and our import trade also became very active in consequence.

The statistics for sundry exports and imports, whose value reached about 3 million *yen* each at the end of 1893, are set out in Tables IX, X, and XI at the end of this chapter.¹

As these tables show, the principal exports during these years were raw silk, tea, copper, coal, matches and cotton yarn, while the principal imports were raw cotton, rice, flour, kerosene oil, iron, sugar and woolen manufactures. In

¹ *Post*, pp. 247-253.

a word, it may be stated that the Japanese were buying foreign-made articles for their own consumption by selling abroad raw materials or half-manufactured articles, but neither case includes these passing articles of trade.

TABLE I.—NEGOTIABLE PAPER AND FOREIGN TRADE BEFORE AND AFTER THE WAR

| | 1893 | 1895 | 1897 | 1903 |
|--|-------------|--------------------------|--------------------------|----------------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| Value of bills cleared at Tokyo Clearing House..... | 148,018,870 | 289,102,425 ^a | 522,890,211 ^b | 1,562,636,955 ^c |
| Value of bills cleared at Osaka Clearing House..... | 63,600,661 | 79,954,118 ^d | 160,967,475 ^e | 821,287,076 ^f |
| Currency in circulation at home at close of year: | | | | |
| Hard money..... | 50,672,072 | 69,737,986 | 91,765,257 | 98,231,864 |
| Government paper money..... | 16,407,000 | 11,129,224 | 7,451,098 | ..... |
| National bank notes..... | 22,756,119 | 20,796,786 | 5,024,729 | ..... |
| Convertible notes of Bank of Japan..... | 148,663,128 | 180,336,815 | 226,229,058 | 232,920,563 |
| Total..... | 238,498,319 | 282,000,811 | 330,070,142 | 331,152,427 |
| Paid-up capital employed in ordinary banking business..... | 30,583,704 | 49,807,149 | 147,812,199 | 253,003,792 |
| Loans to public (Kashidashi kin) at close of year: | | | | |
| By Bank of Japan, domestic and foreign..... | 24,563,816 | 34,690,723 | 56,497,428 | 39,036,778 |
| By Tokyo associated banks..... | 11,050,316 | 17,059,175 | 26,020,426 | 96,619,712 |
| By Osaka associated banks..... | 12,974,837 | 17,502,616 | 31,493,175 | 67,496,981 |
| Total..... | 48,588,969 | 69,312,514 | 114,011,029 | 203,153,471 |
| Foreign Trade of Japan proper: | | | | |
| Exports..... | 89,712,866 | 36,112,176 | 163,135,078 | 289,502,442 |
| Imports..... | 88,257,172 | 129,260,578 | 219,300,771 | 317,135,517 |
| Total..... | 177,970,038 | 265,372,754 | 382,435,849 | 606,637,959 |

^a 104.0 per cent of value cleared in 1893.^b 105.7 per cent of value cleared in 1893.^c 253.1 per cent of value cleared in 1893.^d 373.5 per cent of value cleared in 1893.^e 125.2 per cent of value cleared in 1893.^f 1,291.3 per cent of value cleared in 1893.

TABLE II.—CAPITAL INVESTED IN COMMERCE, 1896-1903

| Year | Number of companies | Authorized capital Yen | Paid-up capital | | Percentages of paid-up capital of companies engaged in various forms of business | | | | Reserve fund Yen |
|-----------|---------------------|---------------------------|-----------------|------------|--|----------------------|--|--------------------|---------------------|
| | | | Amount Yen | Percentage | Agricultural companies | Industrial companies | Communication (transportation) companies | Total ^a | |
| 1896..... | 2,777 | 301,713,992 | 192,735,712 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 61,371,734 |
| 1897..... | 3,630 | 417,279,266 | 260,227,479 | 135.0 | 134.5 | 117.2 | 145.5 | 134.0 | 48,285,436 |
| 1898..... | 4,178 | 470,473,449 | 300,039,664 | 155.7 | 141.0 | 135.8 | 174.2 | 156.7 | 48,543,819 |
| 1899..... | 4,619 | 532,378,431 | 335,586,700 | 174.1 | 139.0 | 164.4 | 175.0 | 172.0 | 64,598,303 |
| 1900..... | 5,197 | 600,788,949 | 389,051,555 | 201.9 | 152.8 | 176.7 | 202.0 | 196.0 | 68,672,778 |
| 1901..... | 5,323 | 621,350,294 | 417,292,333 | 216.5 | 159.7 | 185.0 | 214.8 | 208.7 | 75,472,190 |
| 1902..... | 5,325 | 639,419,509 | 440,303,057 | 228.4 | 154.0 | 192.7 | 232.0 | 221.1 | 109,591,328 |
| 1903..... | 5,855 | 650,833,007 | 451,680,028 | 234.4 | 192.9 | 189.5 | 231.7 | 223.3 | 110,872,204 |

^a Percentage of the total of the paid-up capital of the four kinds of companies, viz., agricultural, industrial, commercial and transportation.

TABLE III.—CONDITION OF MONEY MARKET, 1893-1903

| Year | Commercial paper discounted | | | Aggregate of notes cleared | |
|------------|-----------------------------|--|--|-----------------------------------|-----------------------------------|
| | By Bank of Japan Yen | By associated banks of Tokyo Yen | By associated banks of Osaka Yen | At Tokyo Clearing House Yen | At Osaka Clearing House Yen |
| 1893..... | 34,624,243 | 11,950,316 | 12,974,837 | 148,018,870 | 63,600,661 |
| 1894..... | 36,601,797 | 10,914,716 | 10,937,303 | 185,597,502 | 67,543,806 |
| 1895..... | 66,878,141 | 17,059,175 | 17,562,616 | 289,102,425 | 79,654,118 |
| 1896..... | 93,639,625 | 17,405,392 | 17,145,161 | 417,425,508 | 138,499,334 |
| 1897..... | 104,973,122 | 26,020,426 | 31,493,175 | 552,890,211 | 160,967,475 |
| 1898..... | 84,375,650 | 33,248,378 | 36,235,337 | 790,247,456 | 225,940,577 |
| 1899..... | 121,097,798 | 68,100,878 | 64,548,704 | 1,095,805,416 | 376,853,276 |
| 1900..... | 109,051,598 | 84,657,098 | 69,319,100 | 1,405,449,663 | 523,552,744 |
| 1901..... | 53,677,312 | 76,744,141 | 55,794,678 | 1,168,702,078 | 528,122,083 |
| 1902..... | 55,344,941 | 89,452,411 | 70,115,234 | 1,350,791,066 | 663,689,705 |
| 1903..... | 51,461,038 | 96,619,712 | 67,496,981 | 1,562,636,953 | 821,287,076 |
| Total..... | 811,725,265 | 531,272,643 | 453,623,126 | 8,966,667,148 | 3,649,590,855 |

TABLE IV.—VALUES OF MERCHANDISE SOLD, RENTS AND EMPLOYES

| Year | Total value of merchandise sold | | | | Average rent of buildings | | Number of employees |
|-----------|---------------------------------|------------------------|--------------------|------------------------|---------------------------|------------------------|---------------------|
| | Wholesale | | Retail | | Value | Percentage of increase | |
| | Value | Percentage of increase | Value | Percentage of increase | | | |
| 1898..... | Yen 1,099,837,192 | 100.0 | Yen 595,163,769 | 100.0 | Yen 19,990,989 | 100.0 | 589,714 |
| 1899..... | 1,036,418,425 | 94.2 | 482,457,550 | 95.5 | 20,004,286 | 100.1 | 565,338 |
| 1900..... | 1,206,771,599 | 109.7 | 506,539,301 | 100.3 | 22,007,581 | 110.1 | 589,265 |
| 1901..... | 1,221,431,393 | 111.1 | 526,381,185 | 104.2 | 23,967,873 | 119.9 | 609,438 |
| 1902..... | 1,144,386,919 | 104.1 | 519,553,167 | 102.8 | 24,863,541 | 124.4 | 612,912 |
| 1903..... | 1,183,722,280 | 107.6 | 535,140,125 | 105.9 | 26,791,351 | 134.0 | 629,914 |

TABLE V.—CAPITAL INVESTMENT IN COMMERCIAL COMPANIES

| | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 | Total |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Grain..... | Yen 977,255 | Yen 5,040,456 | Yen 5,583,203 | Yen 5,853,816 | Yen 5,508,543 | Yen 4,706,281 | Yen 6,252,806 | Yen 6,527,166 | Yen 40,449,616 |
| Sugar..... | 288,000 | 543,120 | 675,646 | 1,268,984 | 501,811 | 316,270 | 1,154,606 | 1,006,722 | 5,905,759 |
| Fishery and marine products..... | 307,235 | 395,295 | 889,295 | 599,747 | 747,941 | 939,105 | 1,167,281 | 1,342,494 | 6,388,393 |
| Raw cotton } | 1,420,191 | 2,739,690 | 1,263,520 | 1,836,520 | { 1,697,500 | 1,895,925 | 2,391,000 | 3,158,800 | 18,242,489 |
| Cotton yarn } | 642,295 | 1,241,116 | 1,274,234 | 1,910,396 | { 938,010 | 1,977,265 | 599,159 | 404,909 | |
| Cocoon and raw silk.. | 1,476,355 | 3,271,887 | 3,594,480 | 4,241,981 | 2,361,928 | 2,613,238 | 2,738,929 | 3,575,845 | 16,357,981 |
| Various kinds of tex- tile fabrics..... | | | | | 4,836,034 | 5,318,585 | 4,546,646 | 6,645,437 | 33,931,405 |
| Publication of books, etc..... | 425,000 | 609,625 | 634,726 | 657,819 | 857,688 | 2,142,830 | 3,086,417 | 2,626,328 | 11,040,433 |
| Publication and sale of newspapers..... | 530,770 | 581,588 | 733,987 | 632,095 | 794,274 | 903,214 | 1,009,534 | 1,013,634 | 6,199,096 |
| Trading..... | 2,157,250 | 2,040,650 | 1,948,355 | 1,795,689 | 4,571,928 | 2,850,654 | 4,376,804 | 4,537,367 | 24,278,997 |
| Emigration..... | | | | 276,750 | 294,550 | 294,550 | 373,880 | 1,922,400 | 3,102,290 |
| Merchandising of products..... | | | | 1,174,567 | 1,980,405 | 1,892,883 | 1,925,926 | 2,648,381 | 9,622,162 |
| Stocks and bonds..... | | | | 2,276,580 | 2,335,210 | 2,478,000 | 2,463,640 | 2,368,000 | 23,766,180 |
| Dealing in immov- ables..... | 7,077,650 | 2,485,000 | 2,282,100 | | | | | | |
| Warehousing..... | 1,427,059 | 1,539,074 | 1,080,906 | 1,818,407 | 3,371,384 | 4,547,494 | 2,333,389 | 4,857,827 | 26,975,540 |
| Banking and money lending..... | 1,630,270 | 4,008,081 | 3,945,185 | 4,707,147 | 6,704,813 | 5,818,827 | 4,795,557 | 6,340,567 | 37,950,447 |
| Timber and lumber.. | 146,008,482 | 203,574,233 | 243,882,672 | 275,431,632 | 320,540,855 | 349,357,710 | 363,531,060 | 364,705,792 | 2,267,032,445 |
| | 414,004 | 1,037,281 | 2,274,359 | 1,159,155 | 1,252,995 | 1,406,868 | 1,166,207 | 1,624,049 | 10,334,909 |
| Total..... | 164,782,416 | 229,107,096 | 270,062,659 | 305,641,285 | 359,055,869 | 387,679,799 | 403,914,940 | 415,395,778 | 2,535,637,842 |

TABLE VI.—FOREIGN TRADE, 1868—1903

| Year | Exports | | Imports | | Balance | |
|-------------------------|-------------|----------------------------|-------------|----------------------------|------------------------|------------------------|
| | Value | Percentage (1893 = 100) | Value | Percentage (1893 = 100) | In favor of exports | In favor of imports |
| | Yen | | Yen | | Yen | Yen |
| 1868..... | 15,553,473 | 17.3 | 10,693,072 | 12.1 | 4,860,401 | ..... |
| 1869-1873..... | 16,816,538 | 18.7 | 26,144,841 | 29.6 | ..... | 9,328,303 |
| 1874-1878..... | 22,995,321 | 25.6 | 27,539,572 | 31.2 | ..... | 4,544,251 |
| 1879-1883..... | 32,323,963 | 36.0 | 31,732,457 | 36.0 | 591,506 | ..... |
| 1884-1888..... | 47,801,532 | 53.3 | 40,195,507 | 45.5 | 7,606,025 | ..... |
| 1889-1893..... | 77,401,421 | 86.3 | 74,068,574 | 83.9 | 3,332,847 | ..... |
| 1893 ^a | 89,712,865 | 100.0 | 88,257,172 | 100.0 | 1,455,693 | ..... |
| 1894-1898..... | 139,217,971 | 155.2 | 183,043,987 | 207.4 | ..... | 43,826,016 |
| 1899-1903..... | 243,902,988 | 271.9 | 270,469,439 | 305.6 | ..... | 26,566,451 |

^a For reference.

TABLE VII.—ANNUAL VALUE OF FOREIGN TRADE, 1889-1898

| Year | Exports | | Imports | | Balance | |
|------|-------------|-----------------------|-------------|-----------------------|---------------------|---------------------|
| | Value | Percentage (1889=100) | Value | Percentage (1889=100) | In favor of exports | In favor of imports |
| 1889 | 70,060,706 | 100.0 | 66,103,767 | 100.0 | 3,956,939 | Yen |
| 1890 | 56,603,506 | 80.8 | 81,728,581 | 123.6 | ..... | ..... |
| 1891 | 79,527,272 | 113.5 | 62,927,269 | 95.2 | 16,600,004 | 25,125,075 |
| 1892 | 91,102,754 | 130.0 | 71,326,080 | 107.9 | 19,776,674 | ..... |
| 1893 | 89,712,865 | 128.1 | 88,257,172 | 133.5 | 1,455,693 | ..... |
| 1894 | 113,246,086 | 161.6 | 117,481,955 | 175.2 | 6,851,600 | 4,235,869 |
| 1895 | 136,112,178 | 194.3 | 129,266,578 | 195.5 | ..... | ..... |
| 1896 | 117,842,761 | 168.2 | 171,674,474 | 259.7 | ..... | 53,831,713 |
| 1897 | 163,135,077 | 232.8 | 219,300,772 | 331.8 | ..... | 56,165,695 |
| 1898 | 165,753,752 | 236.6 | 277,502,156 | 419.8 | ..... | 111,748,404 |

TABLE VIII.—ANNUAL VALUE OF FOREIGN TRADE, 1893-1903^a

| Year | Exports | | Imports | | Balance | |
|------|-------------------|-------------------------|-------------------|-------------------------|---------------------|---------------------|
| | Value | Percentage (1893 = 100) | Value | Percentage (1893 = 100) | In favor of exports | In favor of imports |
| 1893 | Yen 89,712,866 | 100.0 | Yen 88,257,172 | 100.0 | Yen 1,455,694 | Yen |
| 1894 | 113,246,086 | 126.2 | 117,481,956 | 133.1 | ..... | 4,235,870 |
| 1895 | 136,112,176 | 151.7 | 129,260,578 | 146.5 | ..... | ..... |
| 1896 | 117,842,760 | 131.4 | 171,674,474 | 194.5 | ..... | 53,831,714 |
| 1897 | 163,135,078 | 161.8 | 219,300,771 | 248.5 | ..... | 56,165,693 |
| 1898 | 165,753,752 | 184.8 | 277,502,156 | 314.4 | ..... | 111,748,404 |
| 1899 | 214,929,895 | 239.6 | 220,401,928 | 249.8 | ..... | 5,472,033 |
| 1900 | 204,429,995 | 227.9 | 286,261,846 | 325.5 | ..... | 82,831,851 |
| 1901 | 252,349,543 | 281.3 | 255,816,644 | 289.9 | ..... | 3,467,101 |
| 1902 | 258,303,065 | 290.2 | 271,731,260 | 307.9 | ..... | 13,428,195 |
| 1903 | 289,502,442 | 322.7 | 317,135,517 | 359.3 | ..... | 27,633,075 |

^a The Sino-Japanese War was fought in 1894-1895.

TABLE IX.—EXPORTS, 1893-1903
(a) *Manufactured articles*

| Year | Habutaye | Silk manufactures | Cotton manufactures (except cotton tissues) | Matches | Fancy matting | Porcelain and earthenware | Total |
|-------|-------------|-------------------|---|------------|---------------|---------------------------|-------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1893 | 3,553,604 | 3,890,646 | 1,185,156 | 3,537,974 | 1,723,383 | 1,577,191 | 15,476,954 |
| 1894 | 7,254,478 | 3,628,129 | 1,980,357 | 3,795,635 | 1,905,493 | 1,484,854 | 20,108,946 |
| 1895 | 8,354,490 | 5,339,955 | 2,487,867 | 4,672,812 | 3,461,370 | 1,955,060 | 26,271,554 |
| 1896 | 7,952,217 | 4,617,720 | 2,706,777 | 4,986,260 | 3,056,759 | 1,974,854 | 24,394,587 |
| 1897 | 9,530,676 | 3,390,146 | 3,084,963 | 5,641,993 | 3,232,738 | 1,819,061 | 26,699,577 |
| 1898 | 12,955,505 | 3,555,115 | 3,286,534 | 6,273,949 | 3,938,450 | 1,990,781 | 31,100,334 |
| 1899 | 15,799,014 | 3,461,572 | 4,714,095 | 5,890,666 | 3,717,489 | 2,181,336 | 35,764,082 |
| 1900 | 17,436,381 | 4,318,553 | 6,658,434 | 5,760,869 | 3,296,969 | 2,471,904 | 39,943,110 |
| 1901 | 23,912,356 | 3,951,192 | 6,563,622 | 7,392,869 | 5,351,111 | 2,491,668 | 49,662,818 |
| 1902 | 24,685,408 | 3,154,237 | 7,221,115 | 8,169,966 | 6,772,496 | 2,461,544 | 52,464,766 |
| 1903 | 27,510,478 | 2,938,421 | 8,506,147 | 8,473,972 | 4,251,465 | 3,169,009 | 54,848,592 |
| Total | 157,144,607 | 42,254,686 | 48,394,977 | 64,596,065 | 40,767,723 | 23,577,262 | 376,735,320 |

TABLE IX.—EXPORTS, 1893-1903—Continued
(b) *Semi-manufactured articles*

| Year | Raw silk | Hides, hemp, noshi or knuibe | Cotton yarn | Straw plaits | Refined tea, etc. | Camphor | Total |
|------------|-------------|------------------------------------|----------------|-----------------|----------------------|------------|-------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1893..... | 28,167,411 | 2,792,764 | 59,176 | 378,349 | 7,702,088 | 1,308,611 | 40,408,399 |
| 1894..... | 39,353,156 | 3,208,593 | 955,530 | 743,399 | 7,930,287 | 1,023,956 | 53,214,921 |
| 1895..... | 47,866,257 | 2,862,720 | 1,034,479 | 1,387,643 | 8,879,242 | 1,526,832 | 63,557,173 |
| 1896..... | 28,830,602 | 2,764,965 | 4,029,425 | 2,234,354 | 6,372,329 | 1,119,196 | 45,349,971 |
| 1897..... | 55,630,460 | 3,019,973 | 13,490,197 | 3,181,915 | 7,860,460 | 1,318,292 | 84,501,297 |
| 1898..... | 42,047,411 | 2,655,931 | 20,116,586 | 2,404,003 | 8,215,665 | 1,174,574 | 76,614,170 |
| 1899..... | 62,627,721 | 4,074,086 | 28,521,438 | 2,770,178 | 8,498,783 | 1,754,496 | 108,246,702 |
| 1900..... | 44,657,029 | 4,161,318 | 20,589,263 | 4,025,159 | 9,035,819 | 3,070,701 | 85,539,289 |
| 1901..... | 74,667,331 | 4,428,768 | 21,465,573 | 2,989,836 | 8,854,327 | 3,904,974 | 116,310,809 |
| 1902..... | 76,859,478 | 5,713,796 | 19,901,523 | 2,938,858 | 10,484,017 | 3,404,833 | 119,302,505 |
| 1903..... | 74,428,997 | 6,957,320 | 31,418,614 | 3,787,062 | 13,935,253 | 3,537,844 | 134,065,000 |
| Total..... | 575,135,763 | 42,639,334 | 161,581,804 | 26,840,756 | 97,768,270 | 23,144,309 | 927,110,236 |

TABLE IX.—EXPORTS, 1893-1903—Continued
(c) Raw materials

| Year | Rice | Coal (except that for use in ships) | Copper, ore and refined | Total |
|------------|------------|-------------------------------------|-------------------------|-------------|
| | Yen | Yen | Yen | Yen |
| 1893..... | 5,001,158 | 3,288,843 | 4,569,229 | 12,859,230 |
| 1894..... | 5,593,152 | 4,974,305 | 4,900,754 | 15,168,211 |
| 1895..... | 7,297,346 | 5,409,111 | 5,157,667 | 17,774,124 |
| 1896..... | 7,951,087 | 6,242,931 | 5,479,602 | 19,673,620 |
| 1897..... | 6,141,218 | 8,316,776 | 5,774,699 | 20,232,693 |
| 1898..... | 5,920,185 | 12,240,622 | 7,267,075 | 25,427,882 |
| 1899..... | 10,282,012 | 11,784,731 | 11,383,358 | 33,450,101 |
| 1900..... | 3,576,569 | 13,703,655 | 12,725,935 | 30,006,159 |
| 1901..... | 6,908,913 | 17,542,273 | 13,904,610 | 38,355,796 |
| 1902..... | 6,679,623 | 17,270,417 | 10,261,984 | 34,212,024 |
| 1903..... | 4,964,349 | 19,260,503 | 14,906,034 | 39,130,886 |
| Total..... | 70,225,612 | 119,734,167 | 96,330,947 | 286,290,726 |

TABLE X.—IMPORTS, 1893-1903
(a) *Manufactured articles*

| Year | Sugar | Printed cotton, cotton, satin, velvet | Calicoes (raw, bleached, spun, designed and colored) | Woolen fabrics, serge, tissue, felt | Various kinds of woolen fabrics | Crepe | Various kinds of medicines and chemicals | Total |
|-----------|-------------------|---------------------------------------|--|-------------------------------------|---------------------------------|------------------|--|-------------------|
| 1893..... | Yen 11,564,419 | Yen 980,965 | Yen 2,807,793 | Yen 1,129,567 | Yen 3,041,572 | Yen 2,305,506 | Yen 3,055,000 | Yen 24,884,822 |
| 1894..... | 13,324,522 | 2,487,998 | 3,565,490 | 862,041 | 2,256,538 | 3,150,823 | 3,396,436 | 29,043,848 |
| 1895..... | 11,830,183 | 1,663,598 | 3,663,520 | 3,240,153 | 2,230,501 | 3,633,468 | 4,589,193 | 30,850,616 |
| 1896..... | 13,853,844 | 4,805,440 | 5,127,072 | 4,389,045 | 5,248,940 | 6,498,162 | 3,984,390 | 43,906,893 |
| 1897..... | 20,002,387 | 3,460,467 | 4,267,910 | 2,276,858 | 3,497,341 | 3,835,881 | 4,487,306 | 41,828,150 |
| 1898..... | 28,619,319 | 3,635,299 | 5,399,398 | 3,325,504 | 2,907,601 | 4,408,753 | 7,814,112 | 56,110,186 |
| 1899..... | 17,645,230 | 2,784,137 | 4,173,279 | 2,641,853 | 2,079,634 | 4,350,934 | 7,212,425 | 40,887,492 |
| 1900..... | 26,691,757 | 6,529,867 | 7,276,565 | 6,620,432 | 3,770,964 | 7,364,991 | 6,933,222 | 65,187,798 |
| 1901..... | 33,529,803 | 2,818,495 | 3,630,792 | 2,626,202 | 1,872,315 | 3,339,121 | 5,527,045 | 53,343,773 |
| 1902..... | 14,486,235 | 5,621,645 | 6,389,050 | 3,994,647 | 2,514,782 | 3,754,836 | 7,183,083 | 43,644,278 |
| 1903..... | 21,005,630 | 3,875,942 | 4,331,665 | 4,029,148 | 2,124,869 | 4,189,076 | 6,712,051 | 46,268,381 |
| Total.... | 212,553,529 | 38,663,853 | 50,632,534 | 34,835,450 | 31,545,057 | 46,831,551 | 60,894,263 | 475,956,237 |

TABLE X.—IMPORTS, 1893-1903—Continued
(b) *Semi-manufactured articles*

| Year | Kerosene | Cotton yarn and thread | Oil cakes | Total |
|-------|------------------|------------------------|----------------|-------------------|
| 1893 | Yen 4,401,041 | Yen 7,400,369 | Yen 599,893 | Yen 12,401,303 |
| 1894 | 5,135,332 | 8,088,370 | 822,195 | 14,046,097 |
| 1895 | 4,303,929 | 7,411,918 | 946,028 | 12,661,875 |
| 1896 | 6,331,936 | 11,544,632 | 3,220,600 | 21,096,268 |
| 1897 | 7,667,350 | 9,881,495 | 3,315,587 | 20,864,432 |
| 1898 | 7,552,880 | 8,906,359 | 4,614,967 | 21,074,206 |
| 1899 | 7,918,149 | 5,317,934 | 6,791,813 | 20,027,896 |
| 1900 | 14,162,652 | 7,376,078 | 5,722,764 | 27,261,494 |
| 1901 | 14,943,401 | 5,218,261 | 8,115,908 | 28,277,570 |
| 1902 | 14,937,169 | 2,107,593 | 10,121,712 | 27,166,474 |
| 1903 | 11,455,697 | 1,091,643 | 10,739,361 | 23,286,701 |
| Total | 98,808,636 | 74,344,852 | 55,010,828 | 228,164,316 |

TABLE X.—IMPORTS, 1893-1903—Continued
(c) Raw materials

| Year | Raw cotton, ginned and raw | Wool and woolen yarn | Rice | Wheat | Flour | Beans | Indigo, including artificial indigo | Iron, copper, and arti- cles made therefrom | Total |
|-----------|----------------------------------|----------------------------|-------------|-----------|------------|------------|--|--|---------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| 1893..... | 16,151,570 | 939,050 | 3,254,842 | 2,001 | 319,659 | 3,446,636 | 444,208 | 5,366,487 | 29,924,453 |
| 1894..... | 19,610,761 | 1,130,699 | 8,413,148 | 31,043 | 619,009 | 2,977,795 | 329,861 | 9,178,257 | 42,290,573 |
| 1895..... | 24,822,097 | 2,087,986 | 4,357,996 | 7,583 | 406,855 | 2,554,764 | 581,370 | 10,487,436 | 45,395,187 |
| 1896..... | 32,573,352 | 2,132,313 | 5,662,337 | 100,236 | 994,202 | 3,475,016 | 1,067,257 | 14,503,323 | 60,508,036 |
| 1897..... | 43,620,214 | 2,399,822 | 21,528,429 | 384,255 | 1,156,569 | 5,889,617 | 1,538,022 | 16,777,771 | 93,294,699 |
| 1898..... | 45,744,371 | 2,428,012 | 48,219,810 | 143,913 | 2,022,413 | 7,101,103 | 2,270,815 | 19,491,302 | 127,421,739 |
| 1899..... | 62,210,716 | 4,917,765 | 5,960,166 | 86,489 | 1,370,857 | 8,822,111 | 2,903,829 | 15,469,754 | 101,741,687 |
| 1900..... | 59,471,629 | 5,749,280 | 9,021,536 | 692,342 | 3,882,517 | 4,817,767 | 3,902,559 | 31,729,197 | 119,266,827 |
| 1901..... | 60,650,362 | 4,010,820 | 11,878,958 | 272,869 | 2,873,302 | 5,328,136 | 2,665,043 | 19,998,204 | 107,677,694 |
| 1902..... | 79,784,771 | 4,340,269 | 17,750,817 | 240,050 | 3,278,324 | 5,786,707 | 2,415,629 | 18,810,422 | 132,406,989 |
| 1903..... | 69,518,110 | 5,972,981 | 51,960,272 | 4,767,839 | 10,324,420 | 7,993,413 | 3,325,000 | 21,931,221 | 175,793,256 |
| Total.... | 514,157,953 | 36,108,997 | 188,007,411 | 6,728,620 | 27,248,127 | 58,193,065 | 21,443,593 | 183,743,374 | 1,035,631,140 |

TABLE XI.—SUMMARY OF EXPORTS AND IMPORTS, 1893-1903

| Year | Exports | | | | Imports | | | | Total of Exports and Imports |
|-----------|-----------------------|----------------------------|-------------------|-------------------|-----------------------|----------------------------|-------------------|-------------------|------------------------------|
| | Manufactured articles | Semi-manufactured articles | Raw materials | Total | Manufactured articles | Semi-manufactured articles | Raw materials | Total | |
| 1893..... | Yen 15,476,054 | Yen 40,408,390 | Yen 12,859,230 | Yen 68,744,883 | Yen 24,884,822 | Yen 12,491,303 | Yen 29,924,453 | Yen 67,210,578 | Yen 135,955,161 |
| 1894..... | 20,108,046 | 53,214,921 | 15,168,211 | 88,492,078 | 29,043,848 | 14,046,097 | 42,290,573 | 85,380,518 | 173,872,506 |
| 1895..... | 26,271,584 | 63,557,173 | 17,774,124 | 107,602,851 | 30,850,616 | 12,661,875 | 45,305,187 | 88,817,678 | 196,420,529 |
| 1896..... | 24,304,587 | 45,349,971 | 19,673,620 | 89,418,178 | 43,906,893 | 21,096,268 | 60,508,036 | 125,511,197 | 214,929,375 |
| 1897..... | 26,600,577 | 84,501,297 | 20,232,693 | 131,433,567 | 41,828,150 | 20,864,432 | 93,294,039 | 155,987,281 | 287,420,848 |
| 1898..... | 31,100,334 | 76,614,170 | 25,427,882 | 133,142,386 | 56,110,186 | 21,074,266 | 127,421,739 | 204,606,131 | 337,748,517 |
| 1899..... | 35,764,082 | 108,246,792 | 33,459,101 | 177,469,885 | 40,887,492 | 20,027,896 | 101,741,687 | 162,657,075 | 340,117,960 |
| 1900..... | 39,943,110 | 85,539,289 | 30,006,159 | 155,488,558 | 65,187,798 | 27,261,494 | 119,266,827 | 211,716,119 | 367,204,677 |
| 1901..... | 49,602,818 | 110,316,809 | 38,355,796 | 204,329,423 | 53,343,773 | 28,277,570 | 107,677,694 | 189,299,037 | 393,628,460 |
| 1902..... | 52,464,766 | 119,392,505 | 34,212,674 | 208,079,945 | 43,644,278 | 27,166,474 | 132,406,989 | 203,217,741 | 499,197,036 |
| 1903..... | 54,848,592 | 134,065,000 | 39,130,866 | 228,044,478 | 46,268,381 | 23,286,791 | 175,793,256 | 245,348,338 | 473,392,816 |
| Total | 376,735,320 | 927,110,236 | 286,290,726 | 1,590,136,282 | 475,956,237 | 228,164,316 | 1,035,631,140 | 1,739,751,693 | 3,329,887,975 |

CHAPTER VI

EFFECTS ON TRANSPORTATION AND COMMUNICATION

At the outbreak of the war all the available transportation facilities in Japan, both land and water, were placed at the disposal of the government for the transport of troops and munitions from Japan to Korea and Manchuria, and, in consequence, the general public suffered considerable inconvenience. This state of affairs, however, did not last long, for the authorities concerned quickly adopted the necessary measures for relief; thus the transportation business was soon restored to its normal status, and never since has the general public suffered such inconvenience as at the outbreak of the war.

Thus, except for this short period, transportation business in Japan was not hampered by the war at all, and all transportation facilities, both land and water, throughout the Empire, remained during the war in the condition as before the outbreak of the war. But after the war, which ended in Japan's victory, a great increase in activity was noted in the transportation, as in almost every other branch of business, as a result of the great postbellum boom in industry and trade. To meet this tendency toward expansion, many plans were formulated—by individuals as well as by the government. The latter planned for the improvement and extension of the railways and the telephone service, made efforts to augment foreign trade, and subsidized the merchant marine as well as the companies engaged in shipbuilding. The government raised the funds necessary for all these measures by public loans.

How remarkable was the progress Japan made in transportation after the conclusion of the war in 1896 may be observed from the considerable increase in the paid-up capital

of those companies engaged in the transportation business during the several years following the war. Compared with the year 1896, in which the war was concluded, the paid-up capital of the companies engaged in transportation increased by 100 per cent in 1900, and by 130 per cent in 1903, as will be seen in the table below:

CAPITAL INVESTMENT IN TRANSPORTATION COMPANIES, 1896-1903

| Year | Authorized capital | Paid-up capital | | | No. of companies |
|-----------|--------------------|-----------------|------------------|------------|------------------|
| | | Amount | Rate of increase | Reserve | |
| | <i>Yen</i> | <i>Yen</i> | | <i>Yen</i> | |
| 1896..... | 171,674,964 | 113,216,760 | 100.0 | 6,259,011 | 334 |
| 1897..... | 266,973,250 | 164,684,165 | 145.5 | 6,551,967 | 454 |
| 1898..... | 271,896,976 | 197,233,421 | 174.2 | 7,302,391 | 536 |
| 1899..... | 269,622,304 | 198,146,560 | 175.0 | 8,113,324 | 583 |
| 1900..... | 305,810,809 | 228,733,512 | 202.0 | 14,877,726 | 627 |
| 1901..... | 356,220,426 | 243,224,584 | 214.8 | 14,221,810 | 596 |
| 1902..... | 361,454,333 | 262,676,192 | 232.0 | 18,587,260 | 646 |
| 1903..... | 383,422,606 | 262,382,936 | 231.7 | 24,004,444 | 702 |

As the table indicates, the authorized capital of these companies increased by more than 100 million *yen* in the two years after the conclusion of the war, and then by another 100 million *yen* in the few years subsequent. Especially noteworthy is this rate of increase, secured by the transportation companies during the several years following the war, when compared with that secured by companies engaged in agriculture, industry and commerce.

The extension of railways, those owned by the government as well as private roads, and the increase in the tonnage of merchantmen during these years were also remarkable, as the tables on the following page indicate.

Of the systems of communication, which are under government control, the telephone service was extended at an outlay of 13 million *yen*.

The condition of each of these branches of business will be presented in the following sections.

EXTENSION OF RAILWAYS, 1893-1903

| Year | Mileage of railways | | | |
|-----------|---------------------|--------------|--------------|-------------------|
| | Government | Private | Total | Rate of extension |
| | <i>Miles</i> | <i>Miles</i> | <i>Miles</i> | <i>Per cent</i> |
| 1893..... | 558 | 1,381 | 1,939 | 100.0 |
| 1894..... | 581 | 1,537 | 2,118 | 109.2 |
| 1895..... | 593 | 1,697 | 2,290 | 118.1 |
| 1896..... | 632 | 1,875 | 2,507 | 129.3 |
| 1897..... | 662 | 2,287 | 2,949 | 152.1 |
| 1898..... | 768 | 2,652 | 3,420 | 176.4 |
| 1899..... | 833 | 2,806 | 3,639 | 187.7 |
| 1900..... | 950 | 2,905 | 3,855 | 198.8 |
| 1901..... | 1,060 | 2,967 | 4,027 | 207.7 |
| 1902..... | 1,227 | 3,011 | 4,238 | 218.6 |
| 1903..... | 1,345 | 3,151 | 4,496 | 231.9 |

INCREASE IN SHIPPING, 1893-1903

| Year | Tonnage of merchantmen | | | |
|-----------|------------------------|---------------|-------------|------------------|
| | Steamships | Sailing boats | Total | Rate of increase |
| | <i>Tons</i> | <i>Tons</i> | <i>Tons</i> | <i>Per cent</i> |
| 1893..... | 104,909 | 31,538 | 136,447 | 100.0 |
| 1894..... | 163,029 | 30,178 | 193,387 | 141.7 |
| 1895..... | 207,765 | 27,563 | 235,328 | 172.5 |
| 1896..... | 227,840 | 25,485 | 253,325 | 185.7 |
| 1897..... | 268,223 | 25,768 | 293,991 | 215.5 |
| 1898..... | 287,857 | 139,835 | 427,692 | 313.4 |
| 1899..... | 308,402 | 253,439 | 561,841 | 411.8 |
| 1900..... | 330,622 | 287,568 | 618,190 | 453.1 |
| 1901..... | 357,394 | 307,031 | 664,425 | 486.9 |
| 1902..... | 376,118 | 310,061 | 686,179 | 502.9 |
| 1903..... | 408,990 | 302,783 | 711,773 | 521.7 |

TRANSPORTATION BY LAND

The best way to discover what effect the war had upon systems of land transportation in Japan, as in the case of other branches of business, is to note the progress attained in the following years. The only means of land transportation in those days were wagons, *rikisha* and railways of various kinds. How the paid-up capital of companies engaged in land transportation increased in the several years subsequent

to 1896, the year in which the war was brought to an end, may be seen from the table below:

CAPITAL INVESTMENT IN LAND TRANSPORTATION COMPANIES, 1896-1903

| Year | Steam railways | Electric railways | Railways employing hand cars | Tramways | Total |
|-----------|----------------|-------------------|------------------------------|------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1896..... | ..... | 90,103,974 | ..... | 796,827 | 90,900,801 |
| 1897..... | ..... | 130,663,015 | ..... | 44,640 | 130,707,655 |
| 1898..... | ..... | 155,881,965 | ..... | 30,000 | 155,911,965 |
| 1899..... | ..... | 156,967,016 | ..... | 42,400 | 157,009,416 |
| 1900..... | 184,201,311 | 2,535,534 | 254,227 | 2,431,972 | 189,423,044 |
| 1901..... | 196,539,372 | 5,419,225 | 307,391 | 1,059,409 | 203,325,397 |
| 1902..... | 212,926,155 | 7,158,750 | 374,872 | 1,058,392 | 221,518,169 |
| 1903..... | 205,319,921 | 13,089,005 | 451,504 | 1,364,544 | 220,224,974 |

No other means of land transportation was affected by the war as were the railways. Therefore it will be sufficient to inquire into the condition of the railways during these years.

In 1893, or before the outbreak of the war, one-half of the Japanese railways was under government, and the other half under private management. The average working mileage of the government railways in those days was 558 miles and the average profit 16.91 *yen* per mile a day. The private railways were maintained by 15 different companies, and the average working mileage was 1,338 miles.¹ Profits from the railways under private management were 7.10 *yen* per mile a day; the rate of profit reckoned on the paid-up capital was about 7 per cent. Such was the state of Japanese railways before the war. In the next ten years, however, the working mileage of the government railways increased to 1,282 miles, or more than double the total mileage in 1893, and these railways brought in a profit of 21.82 *yen* per mile a day, or an increase of 30 per cent over that of 1893. Meanwhile the number of railway companies had increased to 41, and their total working mileage to 3,070 miles, or an increase of

¹ The average mileage owned by each of these companies was 89.2 miles, and the paid-up capital 36,524 *yen* per mile.

130 per cent; their daily profit also increased to 16.91 *yen*, or by about 140 per cent, compared with 1893. This profit means 9 per cent on the paid-up capital of 67,845 *yen* per mile. Thus the Japanese railways made considerable progress both in mileage and profits in the ten years from 1893 to 1903. Let us now make fuller inquiries into the condition of the railways, both government and private.

In 1893, or before the outbreak of the war, the Japanese Government possessed 558 miles of railway, mostly what may be called trunk lines. This does not imply, however, that the Japanese Government neglected the construction of necessary railways in those days. On the contrary, the government promulgated the Railway Construction Law¹ on June 20, 1893, whereby a program was announced for the construction of railways in all parts of the country. This program, however, was to be carried out gradually in different periods. In the first period, nine important lines were to be built at a cost of 60 million *yen*, to be secured by a public loan. But as soon as this program, or a portion of the greater program, was initiated, the war with China began, and the government naturally was compelled to suspend the work during the war. But Japan won the war, and after peace was restored, the Japanese Government in its postbellum program, prepared on a scale commensurate with the elevated position now occupied by the country, planned to improve the existing government railway lines and build new ones by floating public loans for this purpose. Thus the government agreed to procure a loan of 27,731,331 *yen*², and of this total amount, to spend 26,553,000 *yen* for improvement of the existing railways under the government, and 1,178,331 *yen* for construction of a line between Sorachita and Asahigawa in the Hokkaido. The government also agreed to build a trunk line on the same island by raising a loan of 33 million *yen*.³ Then the government planned to build railway lines on the island of Formosa,

¹ Law No. 4.

² Public Works Loan Regulations, Law No. 59, promulgated March 29, 1896.

³ Hokkaido Railway Construction Law, Law No. 93, promulgated March 13, 1896.

ceded to Japan as a result of the war, at a cost of 28,800,000 *yen*, to be defrayed by a portion of the Formosa Public Works Loan.¹ Then, too, the scope of the original program, as announced before the war, was enlarged, and the appropriation for the first period increased from 60 million *yen* to 95 million *yen* by Law No. 19, promulgated on April 2, 1901.

The new lines thus planned and the cost of their construction were as follows:

CONSTRUCTION AND IMPROVEMENT OF GOVERNMENT RAILWAYS, 1893-1903²

| Construction of railway lines, 1893-1903, built with proceeds of government railway loans: | | <i>Yen</i> | <i>Yen</i> |
|---|------------|------------|-------------|
| Fukushima-Aomori line..... | | 20,773,993 | |
| Hachioji-Nagoya line..... | | 20,300,532 | |
| Shinonoi-Shiojiri line..... | | 6,410,865 | |
| Yatsushiro-Kagoshima line..... | | 6,050,676 | |
| Tsuruga-Toyama line..... | | 9,407,302 | |
| Himeji-Sakai line..... | | 5,574,331 | |
| Kaidaichi-Kure line..... | | 2,152,600 | |
| Fukuchiyama-Sonobe-Maizuru line..... | | 1,341,459 | |
| Expenses for superintendence..... | | 200,019 | |
| | | | 72,211,777 |
| Improvement of existing railways under government management, 1896-1903, from proceeds of Government Public Works Loan: | | | |
| Tokaido line..... | 21,097,422 | | |
| Shinyetsu line..... | 1,039,545 | | |
| Street railway line in Tokyo..... | 2,763,340 | | |
| Yokohama harbor line..... | 28,404 | | |
| Kobe harbor line..... | 791,765 | | |
| | | | 25,720,476 |
| Construction of railway line between Asahigawa and Sorachita, Island of Hokkaido..... | | | |
| | | | 1,176,701 |
| Construction of new lines, 1896-1903, from proceeds of Hokkaido Railway Loan..... | | | |
| | | | 5,889,305 |
| Construction of new lines, 1899-1903, from proceeds of Formosan Railway Construction and Improvement Appropriation..... | | | |
| | | | 14,894,227 |
| Total..... | | | 119,892,486 |

By these means the total mileage of the government railway lines was increased considerably, as the table given below indicates. The increase is indeed remarkable compared with the total mileage of 558 miles in 1893. The following table gives the annual increase, for the years 1893-1903.³

¹ Formosa Public Works Loan Law, Law No. 75, promulgated March 20, 1899.

² Fractions over 50 *sen* are counted as whole *yen*; fractions under 50 *sen* are disregarded.

³ Railways built in Formosa during these years not included.

| | <i>Miles</i> | <i>Chains</i> |
|------------|--------------|---------------|
| 1893..... | .. | .. |
| 1894..... | 23 | 20 |
| 1895..... | 12 | 40 |
| 1896..... | 38 | 40 |
| 1897..... | 30 | 03 |
| 1898..... | 90 | 19 |
| 1899..... | 40 | 29 |
| 1900..... | 72 | 79 |
| 1901..... | 81 | 74 |
| 1902..... | 131 | 07 |
| 1903..... | 93 | 42 |
| Total..... | 613 | 53 |

All this extension of the government railways was a part of the program which the Japanese Government, stimulated by the war, had prepared to harmonize with the elevated position assumed by the nation after the Sino-Japanese War. Not only was this a direct effect of the war, but there was another cause for this extension of the railways in Japan, namely, the vast increase in the number of passengers and amount of goods carried by train, due to the increased activity in the economic world in Japan after the war. This increase in both passengers and goods naturally brought about a corresponding increase in the profit from the railways. This cause may therefore be called an indirect effect of the war. The number of passengers and volume of goods carried, fare, gross returns, business expense, etc., of the state railways are given in Table I at the end of this chapter.¹

The gross income, profit, etc., of these government railways also increased in these years, as indicated in Table II at the end of this chapter.²

The progress of the government railways during these years was remarkable in every respect.

Let us now look at the extension of private railways which, like the extension of the government railways, was carried out on a scale commensurate with the increase in economic activities after the war. This extension in the railways under private management was also remarkable, as the increase in the number of companies, their capital, working mileage, etc., given in the following table indicates.

¹ *Post*, p. 265.

² *Post*, p. 266.

EXTENSION OF PRIVATE RAILWAYS, 1893-1903

| Year | No. of companies | Authorized capital | Paid-up capital | Reserve fund | Loans | Average working mileage |
|----------|------------------|--------------------|-----------------|--------------|------------|-------------------------|
| | | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | |
| 1893.... | 15 | 63,145,000 | 48,869,515 | 517,975 | 5,680,000 | 1,338 |
| 1894.... | 20 | 80,290,200 | 59,176,637 | 1,322,085 | 5,778,000 | 1,457 |
| 1895.... | 24 | 99,228,000 | 71,626,301 | 1,161,682 | 5,552,000 | 1,617 |
| 1896.... | 26 | 120,015,000 | 89,010,597 | 1,587,045 | 5,350,000 | 1,698 |
| 1897.... | 32 | 175,396,000 | 122,542,091 | 2,169,267 | 5,410,000 | 2,027 |
| 1898.... | 42 | 213,886,150 | 153,924,703 | 2,681,711 | 10,174,365 | 2,466 |
| 1899.... | 43 | 227,799,300 | 169,999,444 | 3,374,353 | 10,640,400 | 2,725 |
| 1900.... | 41 | 238,042,550 | 181,267,472 | 3,635,854 | 11,017,800 | 2,841 |
| 1901.... | 40 | 242,585,000 | 192,811,305 | 4,401,343 | 12,839,000 | 2,944 |
| 1902.... | 41 | 251,675,000 | 202,603,626 | 5,155,920 | 12,852,600 | 2,978 |
| 1903.... | 41 | 256,575,000 | 208,285,567 | 6,038,419 | 18,364,400 | 3,070 |

The business of these railway companies was stimulated by the general activity in industry and commerce which followed the war and their capital greatly increased, as Table II indicates. Let us now note the increase in number of passengers, volume of goods, etc., as given in Table III at the end of this chapter.¹

The increase in the number of passengers and volume of goods carried by these railways naturally brought about a corresponding increase in the receipts, as shown in Table IV at the end of this chapter.²

The railways in Formosa, which were entirely built by the Japanese after their acquisition of the island, as a result of this war, made a very good showing from the beginning, for in a few years after construction these railways brought in some profit, as Table V at the end of this chapter³ shows.

In conclusion it may be stated that the war did not have any direct effects upon or give any marked stimulus to railway business in Japan; yet it is true that the railways achieved considerable progress in the several years following the war, because of the general awakening of the nation and improvement in the country's position brought about by the war. This progress made by the railways may therefore be said to be, to no small extent, the result of the war.

¹ *Post*, p. 267.² *Post*, p. 268.³ *Post*, p. 269.

TRANSPORTATION BY WATER

Merchant marine

In this section we shall give an account of the progress attained by the various organizations constituting the merchant marine of Japan, during these postbellum years. At the outbreak of the war, many merchantmen were transferred to the government service for the transport of troops and munitions, and the merchant marine as a whole was somewhat hampered in consequence. Especially was this the case with coastwise navigation. But this temporary inconvenience was soon remedied, for the government quickly chartered foreign vessels and put them in the places of the replevined merchantmen. For the remainder of the time, therefore, the Japanese merchant marine did not sustain any serious injury from the war, but remained in its normal condition. After the war, the government, stimulated by victory, adopted all possible measures to secure progress in the merchant marine, as in the transportation systems on land. Help in the form of government subsidies was given for the construction of good harbors, for instance, at Nagasaki and Osaka, so that these places might be converted into good trading ports. The construction of new vessels and overseas navigation were also encouraged by the aid of government subsidies. For the former the government promulgated the Law to Encourage Ship-building¹ on March 24, 1896, and for the latter the Law to Encourage Overseas Navigation² under the same date. The companies which enjoyed state bounty in accordance with the former law were only such as were composed of Japanese subjects, either wholly or in part, engaged in the building of vessels, and owning docks equipped as specified by the Minister of State for Communications.³ An encouragement

¹ Law No. 16.

² Law No. 15.

³ The rate of subsidy given in accordance with this law was 12 *yen* per ton of gross tonnage for steamers whose gross tonnage was between 700 and 1,000 tons; and 20 *yen* per ton of gross tonnage for those whose gross tonnage was 1,000 tons or over. In case an engine also was built, an additional subsidy of 5 *yen* per horse power was given for the engine.

bounty for overseas navigation was given those individuals or companies composed either wholly or in part of Japanese subjects that with their own steamers, registered by the Japanese government, were engaged in the transport of goods or passengers from a Japanese port to a foreign port, or from one foreign port to another.¹ A steamer eligible to government subsidy was to be made of either iron or steel materials, to be the best grade of steamer, and possess all the necessary qualifications specified by the Minister of State for Communications. In addition any steamer eligible for the shipbuilding encouragement bounty was to be of more than 700 tons gross tonnage. And any steamer eligible for the overseas navigation subsidy was to be more than 1,000 tons gross tonnage, and have more than 10 nautical miles maximum rate of speed. Besides these two forms of government subsidy for merchant marine, another system was devised for those steamers engaged in navigation service to ports in America, Europe and other foreign countries. This last form of subsidy was inaugurated because the Japanese Government, desiring to encourage the shipbuilding industry at home, was anxious to encourage overseas navigation.

Through encouragement from the government and the stimulus of the increased activity in commerce and industry during these post-bellum years, the Japanese merchant marine made remarkable progress in the several years following the war, as Table VI at the end of this chapter² indicates:

The number of steamers, registered tonnage, number of passengers, volume of goods carried, paid-up capital, etc., of the three principal steamship companies in Japan, namely, the

¹ In the case of a steamer whose gross tonnage was 1,000 tons, and whose maximum rate of speed was 10 nautical miles per hour, the rate was 25 *sen* per ton of gross tonnage for each 1,000 nautical miles of the voyage. This rate of subsidy was increased 10 per cent for every 500 tons increase in the gross tonnage, and 20 per cent for every nautical mile of increase in the maximum rate of speed per hour. For steamers whose gross tonnage was more than 6,500 tons, or whose maximum rate of speed was more than 18 nautical miles per hour, the same subsidy was given as for a steamer whose gross tonnage was 6,000 tons, or maximum rate of speed 17 nautical miles per hour. More or less discrimination was made according to the age or whether the steamer concerned was built in Japan or abroad.

² *Post*, p. 270.

Nippon Yusen Kaisha, the Osaka Shosen Kaisha, and the Toyo Kisen Kaisha for the years 1893-1903 are given in Table VII at the end of this chapter.¹

COMMUNICATION

The war did not have any direct effect on the systems of communication in Japan, but after the war the government by an appropriation of 12,802,107 *yen* established new telephone systems in Kyoto and fourteen other large cities, and at the same time connected all these important points by telephone with Tokyo and Osaka, the two largest cities in the Empire.

The first telephone in Japan was established between Tokyo and Yokohama in 1890. Then another line was run between Osaka and Kobe two years later. The fifteen cities where the government established telephones as a part of its post-bellum program, at a cost of 12,802,107 *yen*, in the years subsequent to 1896, were Kyoto, Nagasaki, Niigata, Nagoya, Sendai, Kanazawa, Hiroshima, Akamagaseki (Shimonoseki) Fukuoka, Moji, Kumamoto, Sapporo, Hakodate, Otaru and Utsunomiya. The appropriation referred to was apportioned as follows:

| Year | Annual appropriation | Year | Annual appropriation |
|------------|----------------------|-----------|----------------------|
| | <i>Yen</i> | | <i>Yen</i> |
| 1896 | 594,196 | 1900..... | 2,349,786 |
| 1897 | 2,473,420 | 1901..... | 1,807,587 |
| 1898 | 1,896,119 | 1902..... | 1,615,532 |
| 1899 | 1,781,655 | 1903..... | 268,556 |

Further than this there is nothing of importance to state about the systems of communication in Japan in these post-bellum years.

¹ *Post*, pp. 271, 272.

TABLE I.—PASSENGERS, FREIGHT, INCOME, ETC., OF GOVERNMENT RAILWAYS, 1893-1903

| Year | Number of passengers | Volume of goods Tons | Income | | | No. of carriages | | |
|-----------|----------------------|-------------------------|------------------------|-------------------------|--------------|------------------|----------------|--------------|
| | | | Passenger fares Yen | Freight receipts Yen | Total Yen | Locomotives | Passenger cars | Freight cars |
| 1893..... | 14,444,327 | 1,076,689 | 3,791,501 | 1,243,350 | 5,034,851 | 142 | 654 | 1,844 |
| 1894..... | 14,883,986 | 1,018,298 | 4,229,005 | 1,589,565 | 5,818,570 | 167 | 685 | 2,105 |
| 1895..... | 18,764,387 | 1,100,959 | 5,656,410 | 1,808,489 | 7,464,899 | 171 | 712 | 2,228 |
| 1896..... | 22,750,749 | 1,266,119 | 5,984,581 | 1,646,323 | 7,630,904 | 183 | 803 | 2,321 |
| 1897..... | 27,922,577 | 1,558,194 | 7,003,795 | 2,064,717 | 9,068,512 | 258 | 878 | 2,877 |
| 1898..... | 31,590,764 | 1,793,896 | 7,722,425 | 2,810,033 | 10,532,458 | 317 | 986 | 3,295 |
| 1899..... | 28,663,683 | 2,391,471 | 9,291,050 | 3,731,976 | 13,023,026 | 343 | 1,022 | 3,729 |
| 1900..... | 31,944,856 | 2,806,560 | 10,441,171 | 4,499,792 | 14,940,963 | 387 | 1,085 | 4,291 |
| 1901..... | 32,074,254 | 2,659,602 | 10,648,762 | 4,404,917 | 15,053,679 | 407 | 1,122 | 5,112 |
| 1902..... | 31,897,045 | 3,183,720 | 11,520,422 | 5,053,487 | 16,573,909 | 453 | 1,327 | 5,644 |
| 1903..... | 34,008,286 | 3,492,622 | 12,592,919 | 5,708,848 | 18,301,767 | 513 | 1,473 | 6,332 |

TABLE II.—REVENUE, DISBURSEMENTS AND PROFITS OF GOVERNMENT RAILWAYS, 1893-1903

| Year | Gross receipts | Disbursements | Profit | Average working mileage | Gross receipts, disbursements and profit per working mile a day | | |
|-----------|----------------|---------------|------------|-------------------------|---|---------------|--------|
| | | | | | Gross receipts | Disbursements | Profit |
| | | | | | Yen | Yen | Yen |
| 1893..... | 5,384,455 | 1,942,375 | 3,442,080 | 558 | 26.46 | 9.54 | 16.91 |
| 1894..... | 5,819,413 | 2,181,696 | 3,637,717 | 565 | 28.20 | 10.57 | 17.63 |
| 1895..... | 8,004,233 | 2,951,561 | 5,052,672 | 586 | 37.29 | 13.75 | 23.54 |
| 1896..... | 8,273,652 | 3,815,663 | 4,457,989 | 621 | 36.52 | 16.84 | 19.68 |
| 1897..... | 9,727,490 | 4,786,049 | 4,941,441 | 648 | 41.15 | 20.24 | 20.90 |
| 1898..... | 11,165,889 | 6,380,951 | 4,784,938 | 724 | 42.25 | 24.15 | 18.11 |
| 1899..... | 13,804,375 | 6,706,112 | 7,098,263 | 817 | 46.29 | 22.49 | 23.80 |
| 1900..... | 16,045,775 | 7,271,565 | 8,774,210 | 896 | 48.93 | 22.17 | 26.76 |
| 1901..... | 16,776,519 | 8,547,226 | 8,229,293 | 1,020 | 45.06 | 22.96 | 22.10 |
| 1902..... | 18,336,582 | 9,066,165 | 9,270,417 | 1,131 | 44.42 | 21.96 | 22.45 |
| 1903..... | 20,109,115 | 9,896,901 | 10,212,214 | 1,282 | 42.96 | 21.15 | 21.82 |

TABLE III.—PASSENGERS, FREIGHT, INCOME, ETC., OF PRIVATE RAILWAYS, 1893-1903

| Year | No. of passengers | Volume of goods <i>Tons</i> | Income | | | No. of carriages | | |
|-----------|-------------------|--------------------------------|-------------------------------|--------------------------------|---------------------|------------------|----------------|--------------|
| | | | Passenger fares <i>Yen</i> | Freight receipts <i>Yen</i> | Total <i>Yen</i> | Locomotives | Passenger cars | Freight cars |
| 1893..... | 18,090,836 | 2,414,394 | 3,404,926 | 2,166,556 | 5,571,482 | 211 | 806 | 3,465 |
| 1894..... | 21,639,321 | 3,265,404 | 4,326,804 | 2,933,926 | 7,260,730 | 273 | 968 | 4,301 |
| 1895..... | 30,451,191 | 4,231,353 | 5,883,506 | 3,838,127 | 9,721,633 | 351 | 1,238 | 5,156 |
| 1896..... | 43,478,370 | 5,379,112 | 7,242,495 | 4,439,366 | 11,681,861 | 429 | 1,475 | 6,582 |
| 1897..... | 57,175,600 | 7,070,315 | 9,904,292 | 6,055,547 | 15,959,839 | 636 | 2,029 | 8,541 |
| 1898..... | 67,471,125 | 8,122,230 | 11,929,364 | 7,499,787 | 19,429,151 | 786 | 2,837 | 10,827 |
| 1899..... | 73,452,259 | 9,428,563 | 14,126,326 | 8,994,869 | 23,121,195 | 871 | 3,129 | 12,822 |
| 1900..... | 81,766,015 | 11,594,960 | 16,100,291 | 10,926,376 | 27,027,667 | 892 | 3,331 | 14,046 |
| 1901..... | 79,136,954 | 11,750,150 | 16,929,621 | 11,431,032 | 28,360,653 | 943 | 3,407 | 14,708 |
| 1902..... | 78,121,456 | 12,938,951 | 17,097,369 | 12,152,660 | 29,250,029 | 974 | 3,537 | 15,861 |
| 1903..... | 79,861,798 | 14,268,690 | 17,862,643 | 13,062,562 | 30,925,205 | 1,031 | 3,628 | 16,449 |

TABLE IV.—REVENUE, DISBURSEMENTS AND PROFITS OF PRIVATE RAILWAYS, 1893-1903

| Year | Gross receipts, disbursements and profit per working mile a day | | |
|-----------|---|---------------|------------|
| | Gross receipts | Disbursements | Profit |
| | Yen | Yen | Yen |
| 1893..... | 5,981,057 | 2,512,149 | 3,468,908 |
| 1894..... | 7,803,008 | 3,155,459 | 4,647,549 |
| 1895..... | 10,333,935 | 4,065,975 | 6,267,960 |
| 1896..... | 12,373,775 | 5,237,426 | 7,136,349 |
| 1897..... | 16,800,957 | 7,578,047 | 9,222,910 |
| 1898..... | 20,556,934 | 11,422,514 | 9,134,420 |
| 1899..... | 24,500,266 | 12,236,540 | 12,263,726 |
| 1900..... | 29,014,009 | 13,622,156 | 15,391,853 |
| 1901..... | 31,640,328 | 15,093,086 | 16,547,242 |
| 1902..... | 33,344,213 | 16,203,223 | 17,140,990 |
| 1903..... | 35,472,210 | 16,374,601 | 19,097,609 |

TABLE V.—PASSENGERS, FREIGHT, INCOME, ETC., OF FORMOSAN RAILWAYS

| Year | Average working mileage | No. of passengers | Volume of goods Tons | Income | | | | Expendi- ture | Balance |
|-----------|-------------------------|-------------------|-------------------------|-----------------|------------------|------------------|------------------|------------------|---------|
| | | | | Passenger fares | Freight receipts | Other sources | Total | | |
| 1897..... | 61 | 265,142 | 25,743 | Yen 176,145 | Yen 56,446 | Yen (Unknown) | Yen (Unknown) | Yen (Unknown) | |
| 1898..... | 61 | 318,164 | 50,657 | 180,142 | 107,286 | 1,091 | 288,591 | 71,406* | |
| 1899..... | 61 | 393,569 | 66,727 | 203,588 | 138,162 | 4,101 | 345,851 | 107,485* | |
| 1900..... | 91 | 453,085 | 110,173 | 240,108 | 169,749 | 2,444 | 412,301 | 134,762* | |
| 1901..... | 113 | 792,871 | 99,026 | 353,339 | 162,377 | 10,370 | 526,086 | 660,848 | |
| 1902..... | 150 | 998,467 | 234,114 | 436,533 | 281,017 | 11,829 | 729,379 | 722,684 | |
| 1903..... | 174 | 1,197,644 | 315,312 | 541,927 | 419,656 | 10,110 | 971,693 | 815,217 | |

* Loss.

TABLE VI.—THE MERCHANT MARINE FOLLOWING THE WAR

| Year | Steamers | | | Sailing vessels | | | Total | |
|-----------|----------|---------------|--------------------|-----------------|---------------|--------------------|--------|---------------|
| | Number | Gross tonnage | Registered tonnage | Number | Gross tonnage | Registered tonnage | Number | Gross tonnage |
| 1893..... | 400 | 169,264 | 104,909 | 218 | 33,562 | 31,538 | 618 | 202,826 |
| 1894..... | 460 | 262,360 | 163,209 | 196 | 32,103 | 30,178 | 656 | 294,463 |
| 1895..... | 528 | 331,374 | 207,765 | 173 | 29,322 | 27,563 | 701 | 360,696 |
| 1896..... | 570 | 363,223 | 227,840 | 165 | 27,111 | 25,485 | 735 | 390,334 |
| 1897..... | 626 | 429,624 | 268,223 | 171 | 27,412 | 25,768 | 797 | 457,036 |
| 1898..... | 674 | 464,246 | 287,857 | 1,310 | 149,385 | 139,835 | 1,984 | 613,631 |
| 1899..... | 753 | 498,376 | 308,402 | 2,783 | 270,162 | 253,439 | 3,536 | 768,538 |
| 1900..... | 859 | 534,239 | 330,622 | 3,309 | 306,393 | 287,568 | 4,168 | 840,632 |
| 1901..... | 969 | 577,195 | 357,394 | 3,565 | 324,995 | 307,031 | 4,534 | 902,190 |
| 1902..... | 1,033 | 604,627 | 376,118 | 3,591 | 328,192 | 310,061 | 4,624 | 932,819 |
| 1903..... | 1,088 | 656,745 | 408,990 | 3,514 | 320,563 | 302,783 | 4,602 | 977,308 |

TABLE VII.—NIPPON YUSEN KAISHA, OSAKA SHOSEN KAISHA, AND TOYO KISEN KAISHA, 1893-1903

| Year | Vessels | | | Registered tonnage | | | Passengers ^a | | | Volume of goods ^a | | |
|-------------|---------|--------|--------|--------------------|--------|--------|-------------------------|--------|--------|------------------------------|--------|--------|
| | N.Y.K. | | T.K.K. | N.Y.K. | | T.K.K. | N.Y.K. | | T.K.K. | N.Y.K. | | T.K.K. |
| | No. | O.S.K. | No. | Tons | O.S.K. | Tons | No. | O.S.K. | No. | Tons | O.S.K. | Tons |
| 1893. . . . | 41 | 50 | .. | 38,839 | 10,849 | .. | 208 | 982 | .. | 1,353 | 360 | .. |
| 1894. . . . | 17 | 55 | .. | 12,095 | 11,499 | .. | 240 | 999 | .. | 1,392 | 350 | .. |
| 1895. . . . | 48 | 56 | .. | 60,928 | 14,281 | .. | 177 | 857 | .. | 1,500 | 302 | .. |
| 1896. . . . | 61 | 62 | .. | 83,087 | 16,831 | .. | 242 | 1,095 | .. | 1,704 | 355 | .. |
| 1897. . . . | 57 | 61 | .. | 91,266 | 26,233 | .. | 317 | 1,049 | .. | 1,903 | 367 | .. |
| 1898. . . . | 60 | 53 | 1 | 110,426 | 24,822 | 3,302 | 298 | 931 | .. | 1,879 | 382 | .. |
| 1899. . . . | 68 | 59 | 3 | 126,654 | 27,819 | 10,934 | 253 | 851 | 11 | 1,831 | 539 | 79 |
| 1900. . . . | 64 | 87 | 3 | 123,808 | 41,684 | 10,334 | 297 | 1,171 | 10 | 2,130 | 1,299 | 92 |
| 1901. . . . | 67 | 83 | 4 | 134,286 | 29,745 | 12,733 | 308 | 1,418 | 12 | 2,094 | 1,163 | 94 |
| 1902. . . . | 69 | 91 | 5 | 138,571 | 46,436 | 15,152 | 335 | 1,633 | 16 | 2,175 | 1,040 | 87 |
| 1903. . . . | 73 | 98 | 5 | 145,554 | 49,440 | 15,142 | 378 | 1,899 | 13 | 2,582 | 1,253 | 85 |

^a A thousand is the unit and 500 or higher fractions are counted as units, while the rest are disregarded.

TABLE VII.—NIPPON YUSEN KAISHA, OSAKA SHOSEN KAISHA, AND TOYO KISEN KAISHA, 1893-1903—Continued

| Year | Paid-up capital | | | Profits | | | Rate of dividend | | |
|-----------|-----------------|-----------|-----------|-----------|---------|---------|------------------|----------|----------|
| | N.Y.K. | O.S.K. | T.K.K. | N.Y.K. | O.S.K. | T.K.K. | N.Y.K. | O.S.K. | T.K.K. |
| | Yen | Yen | Yen | Yen | Yen | Yen | Per cent | Per cent | Per cent |
| 1893..... | 8,800,000 | 1,800,000 | ..... | 2,142,782 | 141,721 | ..... | 8 | 8 | .. |
| 1894..... | 8,800,000 | 1,940,000 | ..... | 1,588,708 | 395,189 | ..... | 10 | 12 | .. |
| 1895..... | 8,800,000 | 1,940,000 | ..... | 1,048,277 | 651,556 | ..... | 10 | 18 | .. |
| 1896..... | 8,800,000 | 2,696,000 | ..... | 829,045 | 241,154 | ..... | 24 | 16 | .. |
| 1897..... | 18,694,900 | 5,068,696 | 1,625,000 | 55,084 | 43,025 | 6,377 | 11 | 3 | .. |
| 1898..... | 20,000,000 | 5,500,000 | 2,917,257 | 2,300,506 | 441,439 | 37,117 | 8 | 7 | 10 |
| 1899..... | 22,000,000 | 5,500,000 | 3,250,000 | 2,717,473 | 593,939 | 262,807 | 8 | 8.5 | 10 |
| 1900..... | 22,000,000 | 5,500,000 | 3,250,000 | 4,755,422 | 900,949 | 168,733 | 10 | 9.5 | 12 |
| 1901..... | 22,000,000 | 5,500,000 | 3,250,000 | 5,444,163 | 542,140 | 412,616 | 12 | 10 | 12 |
| 1902..... | 22,000,000 | 5,500,000 | 3,250,000 | 4,370,476 | 578,098 | 670,420 | 12 | 10 | 12 |
| 1903..... | 22,000,000 | 5,500,000 | 3,250,000 | 4,822,601 | 622,819 | 539,646 | 12 | 10 | 12 |

CHAPTER VII

EFFECTS ON PRIMITIVE INDUSTRY

It may possibly be correct to say that the Sino-Japanese War had little direct effect upon primitive industry in Japan, although indirect effects were noticeable here and there. For instance, the interruption in the transportation of general merchandise, both by land and water, due to the transporting of troops and munitions at the outbreak of the war, caused a lack of balance between supply and demand for the products of various branches of primitive industry in the Empire. In consequence the prices of such commodities as lead and other contraband, coal, provisions, dried bonito, salted greens, pickled plums, barley, soy beans and certain munitions, rose somewhat.

It can not be denied that the rise in the prices of these third-class commodities in particular gave their producers—farmers, mine owners and fishermen—an opportunity to enlarge the scope of their productive capacity and so to increase profits. The rise in the prices of these commodities may therefore be regarded as an indirect effect of the war upon primitive industry in Japan, but even this was not so great as to be worth special mention.

But the measures that the Japanese Government adopted as a part of its post-bellum program for the development of various branches of primitive industry are worth special notice, although they, too, may be called an indirect effect of the war. These measures included the establishment of an iron foundry under state management¹; improvement in the condition of rivers to secure better irrigation; the establishment of more agricultural experiment stations and sericultural training institutes, the enlargement of those already in existence, etc. Furthermore, the government established such

¹ Full particulars are given in Chapter II.

banking systems as the Japan Hypothec Bank of Tokyo, and the banks of agriculture and industry located in various parts of the country. All these banks engaged in the business of lending money on security furnished by real estate. These banks were started to give increased financial facilities to farmers, who were suffering from the lack of funds for their work. Of course these banks were imperfectly adapted to their purpose of developing the agricultural industry in Japan; especially in the case of farmers with small capital did they prove defective. Nevertheless it can not be denied that these banks gave an impetus to the agricultural industry and practical assistance to farmers. This may be proved from the fact that the greater part of the money that the Japan Hypothec Bank and the banks of agriculture and industry advanced in various parts of the country, through the system of redemption by annual instalments, was lent to the irrigation and earth-work guilds, all composed of farmers, as the figures in Table I at the end of this chapter¹ indicate. There is no denying the fact that they really did benefit many farmers who had been suffering from lack of capital to carry on their business.

ADVANCES BY BANKS OF AGRICULTURE AND INDUSTRY, 1898-1903

| Year ^a | To agriculturists | To agricultural companies | For adjustment of arable land | Total | Grand total |
|-------------------|-------------------|---------------------------|-------------------------------|------------|-------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> |
| 1898 | 2,297,870 | .... | .... | 2,297,870 | 3,687,490 |
| 1899 | 7,163,043 | .... | .... | 7,163,043 | 10,522,750 |
| 1900 | 11,095,842 | 18,001 | 5,270 | 11,119,113 | 16,647,648 |
| 1901 | 13,342,196 | 25,126 | 4,869 | 13,372,191 | 19,994,537 |
| 1902 | 14,931,925 | 34,595 | 4,431 | 14,970,951 | 21,701,288 |
| 1903 | 17,194,710 | 58,852 | 60,241 | 17,313,803 | 24,296,668 |

^a Close of year.

Areas under cultivation in rice and wheat since 1893, showing the improvement effected by the aid of the above-mentioned banks, are tabulated on the next page.

¹ *Post*, p. 276.

AREAS UNDER CULTIVATION IN RICE AND WHEAT, 1893-1903

| Year | Rice | | Wheat | |
|-----------|------------------------|------------------|------------------------|------------------|
| | Area under cultivation | Price (per koku) | Area under cultivation | Price (per koku) |
| | <i>Cho</i> | <i>Yen</i> | <i>Cho</i> | <i>Yen</i> |
| 1893..... | 2,769,478.9 | 7.08 | 1,744,010.3 | 3.35 |
| 1894..... | 2,736,494.6 | 8.24 | 1,753,409.8 | 3.75 |
| 1895..... | 2,784,682.5 | 8.21 | 1,774,159.8 | 3.80 |
| 1896..... | 2,792,499.4 | 9.16 | 1,767,043.2 | 3.57 |
| 1897..... | 2,787,181.3 | 11.81 | 1,749,571.7 | 4.88 |
| 1898..... | 2,817,624.0 | 13.11 | 1,806,667.4 | 6.04 |
| 1899..... | 2,839,550.2 | 9.84 | 1,809,822.6 | 4.46 |
| 1900..... | 2,828,459.9 | 11.32 | 1,806,668.6 | 4.74 |
| 1901..... | 2,847,357.3 | 11.47 | 1,816,200.8 | 4.07 |
| 1902..... | 2,847,191.9 | 12.07 | 1,804,938.0 | 4.45 |
| 1903..... | 2,864,139.1 | 13.68 | 1,799,346.1 | 6.18 |

The areas under cultivation in rice and wheat as given in the foregoing table refer to the lands on which rice or wheat was actually raised, and not to the entire area prepared for cultivation. Besides, the area of cultivated land changes according to the conditions of crops each year or the price of rice or wheat; therefore these figures can not be accepted as exactly reflecting what these banks did for the agricultural industry. Yet to some extent we may see by these figures the progress made by their aid.

In addition, the government established a training school to develop fishery experts, and adopted various other measures to improve the fishing and mining industries. As these, however, are not worth special notice, we shall content ourselves with a glance at statistics regarding the paid-up capital of the companies engaged in the agricultural industry during these years, as shown in Table II following.

TABLE I.—ADVANCES BY JAPANESE HYPOTHEC BANK

| Year ^a | To agriculturists | | To agricultural companies | | To irrigation guilds | | Total | | Grand total of advances | |
|-------------------|-------------------|---------------|---------------------------|---------------|----------------------|---------------|--------|---------------|-------------------------|---------------|
| | Number | Amount Yen | Number | Amount Yen | Number | Amount Yen | Number | Amount Yen | Number | Amount Yen |
| 1897..... | 11 | 342,709 | .. | .... | 5 | 206,703 | 16 | 549,412 | 28 | 1,376,012 |
| 1898..... | 63 | 1,391,357 | 2 | 34,900 | 21 | 488,945 | 86 | 1,915,202 | 164 | 6,706,734 |
| 1899..... | 113 | 2,294,365 | 2 | 34,397 | 36 | 1,019,973 | 151 | 3,348,735 | 244 | 8,774,842 |
| 1900..... | 178 | 3,444,045 | 2 | 33,692 | 43 | 1,223,798 | 223 | 4,701,535 | 354 | 11,574,631 |
| 1901..... | 300 | 4,481,913 | 2 | 33,289 | 50 | 1,429,020 | 352 | 5,945,122 | 599 | 13,862,578 |
| 1902..... | 877 | 6,227,180 | 6 | 71,702 | 60 | 1,609,659 | 943 | 7,908,541 | 1,402 | 17,240,102 |
| 1903..... | 1,964 | 8,466,286 | 6 | 68,621 | 70 | 1,842,804 | 2,040 | 10,377,711 | 2,808 | 21,681,894 |

^a Close of year.

TABLE II.—CAPITAL INVESTED IN AGRICULTURE, 1893-1903

| | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 | Total |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen | Yen |
| Cultivation..... | 218,326 | 495,238 | 916,988 | 897,325 | 298,824 | 544,164 | 436,960 | 866,364 | 4,674,189 |
| Farming..... | 185,547 | 232,926 | 192,225 | 281,010 | 471,290 | 216,750 | 283,345 | 292,060 | 2,155,153 |
| Forestry..... | 7,788 | 93,011 | 111,696 | 99,361 | 372,396 | 241,243 | 265,831 | 378,387 | 1,569,713 |
| Cultivation of mulberry trees, tea plants and fruit..... | 107,357 | 132,828 | 148,388 | 168,906 | 19,781 | 141,102 | 223,660 | 225,645 | 1,167,667 |
| Raising seed, etc. | 61,000 | 69,656 | 31,042 | 60,702 | 129,109 | 201,420 | 28,385 | 33,670 | 615,044 |
| Sericulture..... | 177,435 | 421,867 | 118,399 | 110,238 | 183,004 | 169,007 | 144,332 | 164,286 | 1,488,568 |
| Stock farming..... | 179,875 | 112,551 | 101,930 | 77,070 | 112,485 | 147,278 | 167,220 | 158,962 | 1,957,371 |
| Fish breeding..... | 71,629 | 195,042 | 153,539 | 57,348 | 246,450 | 245,430 | 232,497 | 223,878 | 1,425,813 |
| Fisheries..... | 208,678 | 283,153 | 322,613 | 226,033 | 298,608 | 370,035 | 353,057 | 531,599 | 2,593,776 |
| Whaling..... | 392,000 | 136,030 | 197,405 | 261,200 | 381,475 | 270,060 | 289,060 | 133,710 | 2,060,940 |
| Dairying..... | 56,525 | 57,325 | 42,495 | 48,432 | 101,087 | 99,287 | 126,937 | 188,325 | 720,413 |
| Total..... | 1,666,160 | 2,229,627 | 2,336,720 | 2,287,685 | 2,614,509 | 2,645,776 | 2,551,284 | 3,196,886 | 19,528,647 |

CHAPTER VIII

SOCIAL EFFECTS

The national life of the Japanese people during the past fifty years may be divided into two periods, with the Sino-Japanese War as the dividing point. In the first period, that is, from the Restoration of 1868 up to the Sino-Japanese War, we accomplished, in addition to the Restoration which replaced the Shogunate with the Imperial rule, the introduction of a modern system of administration in place of the old feudal methods, experienced the Korean trouble, over which the leaders of the country differed, with a serious reflection on home politics as a result; and then went through the Saigo Rebellion of 1877. Through these events Japan accomplished great political reforms, her finances being so much affected thereby that the government was obliged to issue inconvertible bank notes to meet the needs of the time. In 1886, however, the finances of the country were put right, and the value of paper money began to assume a close relation to that of gold for the first time after many years of financial chaos. On February 11, 1889, the Imperial Constitution was promulgated, and the Imperial Diet was opened in the following year. The country was then just prepared to enter upon a period of activity, both politically and economically, with the one great aim of promoting the welfare of the nation, when the Sino-Japanese War broke out.

Prior to this time, the Japanese had never had any experience with international warfare, in the true sense of the word. They had had, it is true, frequent troubles with Korea and Formosa before this, but these troubles could not be called international war in the real sense of those words. In the eyes of the Japanese of that time, therefore, it was a great matter to be at war with China, the oldest and greatest country in the Far East, with a history running back 4,000 years into the past. Indeed, the Japanese were somewhat appre-

hensive as to the outcome. Fortunately for them they won, and this victory gave them the chance to realize for the first time the superior ability which they had been developing since the time of the Restoration in 1868. "To manifest the glories of the country to the world," was now the banner under which both government and people were determined to carry out their post-bellum program, prepared for the purpose of extending victorious Japan's influence. In accordance with this program the Japanese effected drastic reforms in their military system, business methods, and machinery for the promotion of culture.

Simultaneously the cost of living went up, and prices of commodities and labor rose correspondingly. Development in business methods resulted in the concentration of capital, and naturally disturbed the balance in the distribution of capital in consequence. The figures in the table below were based upon the results obtained by the commission appointed to investigate the currency system. They tabulated the wholesale prices of about 42 principal commodities in the

PRICES OF COMMODITIES IN JAPAN FROM 1873 TO 1912

| Year | Index-numbers | Year | Index-numbers |
|-----------|---------------|-------------------------|---------------|
| 1873..... | 100.0 | 1893..... | 126.1 |
| 1874..... | 100.0 | 1894 ^a | 135.8 |
| 1875..... | 102.0 | 1895 ^a | 143.5 |
| 1876..... | 101.0 | 1896..... | 154.9 |
| 1877..... | 102.0 | 1897..... | 174.1 |
| 1878..... | 104.0 | 1898..... | 182.7 |
| 1879..... | 109.0 | 1899..... | 182.5 |
| 1880..... | 108.0 | 1900..... | 195.2 |
| 1881..... | 103.0 | 1901..... | 186.3 |
| 1882..... | 101.0 | 1902..... | 182.1 |
| 1883..... | 103.0 | 1903..... | 195.2 |
| 1884..... | 106.0 | 1904..... | 200.9 |
| 1885..... | 110.0 | 1905..... | 221.6 |
| 1886..... | 107.0 | 1906..... | 230.3 |
| 1887..... | 109.0 | 1907..... | 248.8 |
| 1888..... | 115.2 | 1908..... | 241.3 |
| 1889..... | 119.2 | 1909..... | 229.1 |
| 1890..... | 122.2 | 1910..... | 235.6 |
| 1891..... | 117.9 | 1911..... | 247.8 |
| 1892..... | 122.3 | 1912..... | 265.1 |

^a War time.

city of Tokyo, of about 16 different commodities in the city of Osaka and of about 31 principal articles of export (prices at place of export).¹ In addition, the results of similar investigations made by the Bank of Japan concerning the prices of about 40 of the principal commodities in the city of Tokyo were used. As these figures indicate, the history of the rise in the prices of commodities in modern Japan may be definitely divided into two periods, with the Sino-Japanese War as the dividing point. Each period has its special features.

As the figures in the foregoing table show, in the twenty-one years from 1873 to 1893, the prices of commodities in Japan rose 26.1 per cent, or approximately 1.3 per cent a year, but during the war with China and in the several years thereafter, or from 1894 to 1903, prices of commodities went up 69.1 per cent, or 6.9 per cent a year, and in the nine years from 1904 to 1912, or during the Russo-Japanese War and several years thereafter, prices of commodities rose 69.9 per cent, or 7.8 per cent a year. In a word, the prices of commodities in Japan were rising approximately 1 per cent every year up to 1896, but since then they have been rising 7.8 per cent on an average every year. These figures therefore denote quite a revolution in the life of the Japanese people.

That the prices of commodities have been rapidly rising in Japan since 1893 has already been stated. What were the causes of this rapid rise? This is a question which has been continuously investigated by government officials and individual experts ever since, but no decisive conclusion has yet been reached. As I understand it, however, one cause was the disturbance of the balance between supply and demand, especially in the case of rice, resulting in a rise in the price. Another cause was a considerable increase in the volume of currency in circulation, and yet another was the increase in the taxes, particularly taxes on consumption. The questions of currency and the increase in taxes will be dealt with later, so we shall here consider only the price of rice. From time immemorial, Japan has been known as a land of rice. Cer-

¹ All these investigations were made from 1872 to 1893.

tainly rice is the staple food of the country—the people in general live on rice.¹ How to keep the price of rice normal, or to adjust the changes in it, always constitutes the initial problem in the Japanese Government's policy as to prices of commodities, and even as to economic affairs in general. Now the price of rice has been constantly rising since 1893, so great an increase as 90 per cent being observable in the ten years from 1893 to 1903, as the figures in the table below show:

AVERAGE PRICE OF RICE THROUGHOUT JAPAN, 1893-1903

| Year | Price (per <i>koku</i>) | Percentage |
|-----------|--------------------------|------------|
| | <i>Yen</i> | |
| 1893..... | 7.08 | 100.0 |
| 1894..... | 8.34 | 117.8 |
| 1895..... | 8.21 | 115.9 |
| 1896..... | 9.16 | 129.4 |
| 1897..... | 11.81 | 166.8 |
| 1898..... | 13.11 | 185.2 |
| 1899..... | 9.84 | 139.0 |
| 1900..... | 11.32 | 159.9 |
| 1901..... | 11.47 | 162.0 |
| 1902..... | 12.07 | 170.4 |
| 1903..... | 13.68 | 193.2 |

It is a well-known principle that a rise or fall in the price of a single commodity will produce corresponding changes in other commodities, in the same market.

It is obvious, therefore, that a rise in the price of an important commodity will be accompanied by a similar rise in the prices of other commodities in one and the same market. Besides rice, tobacco, another stable commodity in Japan, also rose in price, after the government had established its monopoly in the manufacture of the article. This rise in the price of tobacco affected the prices of other commodities too. Now concerning the rise in the price of rice, it may be stated that the amount of the rice crop each year was partially responsible for it, but the principal cause of the rise in the price

¹ Of the whole population of Japan, about 70 per cent live on rice, so far as I have been able to ascertain.

of rice was the increase in consumption of those living on rice due to the general improvement in the standard of living in Japan, and for this the increase in the income of middle and lower-class people in recent years has been largely responsible. Let us look at the ratio of prices of commodities and prices of labor in the two largest cities in Japan, namely, Tokyo and Osaka, during these years, as given in the table below¹:

| Year | Tokyo | | Osaka | |
|-----------|---------------------|--------------------|---------------------|--------------------|
| | Prices ^a | Wages ^b | Prices ^c | Wages ^d |
| 1893..... | 100.0 | 100.0 | 100.0 | 100.0 |
| 1894..... | 101.2 | 109.2 | 106.0 | 111.9 |
| 1895..... | 107.1 | 118.6 | 111.9 | 132.3 |
| 1896..... | 119.8 | 129.1 | 126.7 | 141.7 |
| 1897..... | 133.9 | 140.2 | 144.3 | 161.6 |
| 1898..... | 139.5 | 145.8 | 159.3 | 168.6 |
| 1899..... | 145.7 | 147.8 | 156.1 | 169.4 |
| 1900..... | 159.7 | 167.2 | 173.7 | 183.6 |
| 1901..... | 148.0 | 169.7 | 173.5 | 179.3 |
| 1902..... | 145.0 | 170.6 | 173.0 | 182.3 |
| 1903..... | 148.5 | 170.2 | 181.8 | 199.0 |

^a Average prices of 31 different commodities.

^c Average prices of 14 different commodities.

^b Average prices of 26 different kinds of labor.

^d Average prices of 43 different kinds of labor.

These figures speak eloquently of the growing increase in the income of middle and lower-class people in Japan, on the one hand, and on the other unmistakably demonstrate a steady rise in the price of labor in the same country. Both facts were together responsible for the rise in the prices of commodities during these years.

Wherever the prices of commodities and labor rise so quickly, the condition of society must be far from tranquil. Now, from the Restoration of 1868 to 1893,—a most eventful period in Japan's history, including as it did civil wars and a financial crisis,—the prices of commodities did not rise greatly, but they rose steadily after the year 1893. This steady rise in the prices of commodities could not but reflect the uneasy current under the surface of society during those days.

¹ Based upon the investigations made by the Finance Bureau in the Finance Department.

The intervention of the three Powers, France, Germany and Russia, after the Sino-Japanese War, which largely deprived Japan of the fruits of her victory, seriously warned the Japanese at large as to the probable future of their country, and they accordingly made up their minds to carry out a stupendous post-bellum program to elevate the position of their country among the Powers of the world. Yet the glorious victory with which the Japanese concluded the war, coupled with their expectation of an inflow of a large amount of capital from foreign countries, because of the large indemnity which China was compelled to pay to Japan as a result of the war, weakened to some extent the apprehension created by the intervention of the three Powers as to the future of their country. In the financial world, in addition to the government's post-bellum program, many "fake schemes" were started by individual business men for various kinds of enterprises. In spite of their rotten foundations, these plans worked smoothly for a while, and this fact tempted many other adventurers to start similar bogus enterprises. Thus was initiated a tendency which became well-nigh universal in financial circles until the whole of the country was shocked by the great financial crisis in 1901. The unusual rise in the prices of commodities and labor in the years following the Sino-Japanese War, as the figures in the foregoing table show, was therefore nothing but a reflection of the insecure condition of society in those days, when the majority of people lived on false pretensions. Indeed, it may be stated that in those pleasure-seeking days the people lacked sincerity somewhat in their mode of life, and that under the surface of society was running an indeed dangerous current.

For a few years after the Sino-Japanese War, the Japanese people, like many others in similar circumstances, lived on vaingloriously on account of their martial victory; yet they recovered their senses again during the great financial crisis of 1901, and were able to meet the Russo-Japanese War in 1904 in full preparedness. All the circumstances attending these events will be further examined in the following pages.

PRICES OF COMMODITIES

An inevitable economic phenomenon of war is the sudden rise in the prices of commodities which takes place in belligerent countries after the outbreak of a war. The Sino-Japanese War was no exception to the rule, as the statistics on prices of commodities in Japan during and after the war indicate. But in Japan except for those commodities whose prices went up either because of interruption in the supply, due to the outbreak of the war, or on account of shortage of stock, chiefly munitions, prices did not rise during the war, but did go up considerably after the war was over. Thus during the war and approximately ten years following, the wholesale price of the principal articles of merchandise in the city of Tokyo rose about 50 per cent, as indicated in Table I at the end of this chapter.¹

As the statistics in Table I indicate, the degree of the rise varies with the three classes of commodities, namely, food-stuffs, raw materials and manufactures, but it is true of all three classes that prices rose after more than during the war. Among the reasons for this rise, we may place the increase in taxes, especially duties on consumption, post-bellum enterprises carried out by both government and individuals, increase in the volume of currency in circulation resulting from the business boom, and finally the luxurious mode of living of the people at large. All these, which may be called bad effects of the war, were responsible for the considerable rise in the prices of commodities after the Sino-Japanese War.

As already stated, a rise in the prices of commodities in these post-bellum years undoubtedly resulted from the war, so I shall now dwell in more detail upon the effects of the war upon prices of commodities in the two largest cities, Tokyo and Osaka.

The first appreciable effect of the war was felt in commercial circles, when the government chartered many of the vessels belonging to the Nippon Yusen Kaisha and other merchant

¹ *Post*, p. 303.

marine companies, in the latter part of June, 1893, for the transporting of troops and munitions. As this interruption in transportation both by land and water—for railways, too, were placed at the government's disposal for the same purpose—came just at the time when the bulk of produce had to be marketed, the supply was suddenly interrupted, and prices jumped up in consequence. Especially was such the case with munitions. In the early part of the same year, or at least before June, the rate of interest was high and the price of silver rather low. From these two causes, as well as some minor ones, the prices of commodities in general had been going up, and while it may not be correct to say that the rise in the prices of commodities of that year was entirely an effect of the war, we may safely say that the war was the principal cause. The interruption to transportation at the outbreak of the war without doubt brought about a shortage of foodstuffs, etc., in the market, and merchants in anticipation of such a shortage had bought up as much as possible, without considering whether the merchandise would sell well or not. The articles whose prices thus rose were salted greens, pickled plums, barley, soy beans, etc. Lead, which could be bought for 6.50 *yen* or 6.60 *yen* per 100 *kin* before the war went up to 10.50 *yen* in September of the same year, because, being a contraband, its importation was stopped after the outbreak of hostilities. Coal, too (best brand of Karatsu and Hochiku), jumped up to 48 *yen* in September, as compared with 31 *yen* or so before the outbreak of the war. Provisions also rose 30 or 40 per cent, for they were imported at Neuchang and Korea for the troops. But chinaware, umbrellas, silk fabrics, etc., which are not daily necessities of life, and also seaweed, trade in which was interrupted by the outbreak of the war, rather fell in price after the outbreak of hostilities. The articles which were not affected by the war to any serious degree were soy, bean paste, kerosene oil, and articles exported to Europe and America.

In May, 1895, the Sino-Japanese War was concluded. Owing to the intervention by the three Powers, Japan re-

stored to China the Liaotung peninsula, once occupied by her army. For a while the Japanese were discouraged by this intervention but they soon recovered, and prepared for fresh activities in business. Just at this time the Bank of Japan began lending out money rather generously in business circles, and the condition of the country's foreign trade became very encouraging. The rice crop for the same year was very good. Furthermore, a large amount of specie was brought to Japan from abroad through China's payment of her war indemnity and by the improved condition of foreign trade. Soldiers and sailors returned home in triumph and were given decorations and monetary gifts for their brave services at the front. These factors naturally had their effect upon business throughout the country, and prospects in general became far better. In addition, enthusiasm for speculative enterprises became almost universal among business men, and quotations on stocks and bonds went up considerably; the volume of convertible notes issued increased in consequence, as well as loans made by the associated banks in Tokyo, and the business done by the Tokyo Clearing House. For these phenomena the development of industry may have been partly responsible, but the principal cause was the increase in the volume of currency in circulation. If the volume of currency increases, the prices of commodities will assuredly go up. In 1896, the condition of the market became depressed, due to the government's raising of the taxes, the bad condition of trade in raw silk, cotton and tea, as well as the poor rice crop. Thus during the first half of the year prices of commodities fell somewhat. But this did not last long, for the Bank of Japan, by using the indemnity from China and the increase in its specie reserve, issued more convertible notes, which brought about an increase in the amount of bank notes in circulation, and thus the prices of commodities went up again.

In 1897 the amount of convertible notes issued continued to increase. To make the matter worse the price of rice rose, and the lower-class people suffered accordingly. In October of the same year the government adopted the gold standard

as the currency system of the country, but this change was by no means effective in bringing down the prices of commodities.

In 1898 business in Japan suffered a great depression, owing to the bad rice crop and the tense condition of the money market then prevailing. Prices of commodities rose accordingly. In the following year prices continued rising, and even later were rather on the increase, on the whole, although not without some fluctuations from time to time. It was from 1902 or thereabouts that business in Japan was finally freed from all effects of the Sino-Japanese War. Thus the rise in the prices of commodities during those years was caused by the tense condition of the money market and the increase in the volume of currency. And when we see that the Sino-Japanese War and the post-bellum program of enterprises by the government and people were entirely responsible for the increase in the volume of currency, the rise in the prices of commodities, and later the tense condition of the money market, we can not but wonder how far-reaching was the effect of the war upon the Japanese economic world.

The rise in the prices of commodities during and after the Sino-Japanese War was principally due to such general causes as increase in the volume of currency in circulation, the tense condition of the money market, and an increase in the purchasing power on the part of the general public, although interruption in the supply of merchandise during the war and the raising of taxes after the war may also be mentioned as secondary causes. In the following pages we shall first note the fluctuations in the prices of merchandise in general, and then examine the case of each class of merchandise.

In Tables II-IV at the end of this chapter¹ the index numbers of the annual average wholesale prices of merchandise in the cities of Tokyo² and Osaka, the largest commercial city in Japan³, are given for the period 1893-1903.

A comparison of these three tables shows us that the fluctuation in prices of the several commodities differs according to

¹ *Post*, pp. 304-310.

² Investigations of the Bureau of Finance and of the Bank of Japan.

³ Investigations of the Bureau of Finance.

the commodity, location, etc. For instance, the rate of increase in Osaka was greater than that in Tokyo; and in Tokyo, of the three kinds of merchandise, raw material rose most, and foodstuffs next, while manufactured articles rose least. However, generally speaking, the prices of these commodities fluctuated about the same in most cases, according to the prevailing state of the financial and economic market. And when we realize that it was due to the Sino-Japanese War and its effects that the financial market of Japan in those years was constantly disturbed and could not remain stable, we must admit that the war was responsible for said fluctuations in the prices of commodities, especially for the considerable rise noted.

Let us now study the relation between the index numbers for the prices of commodities as given in the above-mentioned Tables II-IV and the percentage of the volume of currency in circulation, as well as the amount of bank notes in circulation, as given in Table V at the end of this chapter.¹

As the foregoing statistics indicate, the prices of commodities rose during those years which saw the volume of currency in circulation increased, or in the years following. Such being the case, the increase in the volume of currency in circulation in the years following the Sino-Japanese War was responsible, we may conclude, for the rise in the prices of commodities during those years. But as it may be premature to draw such conclusions from investigations covering a period of only a little more than ten years, I will give below the results of my investigations as to prices of commodities and percentage of currency in circulation during the period from 1887 to 1911.

These results of investigations covering twenty-five years simply confirm my former conclusion. Such being the case, it is not too much to say that the rise in the prices of commodities in the several years following the Sino-Japanese War was caused by the increase in the amount of currency in circulation due to the post-bellum financial and economic program.

¹ *Post*, p. 311.

COMPARISON OF PRICES OF COMMODITIES AND CURRENCY IN CIRCULATION,
1887-1911

| Year | Index number for prices of commodities | Percentage of currency in circulation (1886=100) |
|------|--|--|
| 1887 | 102.1 | 100.8 |
| 1888 | 107.9 | 105.2 |
| 1889 | 111.7 | 111.0 |
| 1890 | 114.4 | 103.4 ^a |
| 1891 | 110.4 ^a | 106.2 |
| 1892 | 114.6 | 109.2 |
| 1893 | 118.1 | 120.1 |
| 1894 | 127.2 | 124.8 |
| 1895 | 134.4 | 142.0 |
| 1896 | 145.1 | 151.3 |
| 1897 | 163.1 | 166.4 |
| 1898 | 171.1 | 143.8 ^a |
| 1899 | 170.9 ^a | 169.6 |
| 1900 | 182.8 | 160.2 ^a |
| 1901 | 174.5 ^a | 154.5 ^a |
| 1902 | 170.6 ^a | 164.5 |
| 1903 | 182.8 | 166.8 |
| 1904 | 193.7 | 196.0 |
| 1905 | 213.6 | 214.3 |
| 1906 | 215.7 | 239.2 |
| 1907 | 233.0 | 256.1 |
| 1908 | 226.0 ^a | 254.5 ^a |
| 1909 | 214.6 ^a | 257.8 |
| 1910 | 220.7 | 286.9 |
| 1911 | 232.1 | 306.3 |

^a Decrease, as compared with previous year.

After the Sino-Japanese War, the Japanese Government raised the taxes on consumption of *sake*, tobacco, soy, etc., in order to meet her financial needs following the war. Let us look at the changes in the rate of these taxes.

(A) The tax imposed upon *sake* in general varies according to the brand, and is very complicated compared with similar impositions on other articles. We shall therefore here examine the rate for the consumption tax upon refined *sake* (*seishu*) only. The rate imposed upon this brand of *sake* was 4 *yen* per *koku* annually in 1893, the rate having been decided in accordance with Order No. 61, issued in 1882, but it was raised to 7 *yen* per *koku* in October, 1896, to 12 *yen* per *koku* in January, 1899, and to 15 *yen* in 1901.

(B) The rate imposed upon soy was at first 1 *yen* per *koku*

a year in accordance with Order No. 10, issued in May, 1885, but it was doubled on March 1, 1899.

(C) The imposition upon tobacco was a stamp duty of 20 per cent *ad valorem* from July 1, 1888, until the manufacture of tobacco was monopolized by the government on January 1, 1898. After the business was brought under government management, returns from the business were at first 84 per cent compared with the price for which the government bought the business from individual concerns. The rate became 100 per cent from July, 1898, to August, 1900, 130 per cent from August 22 of the same year, 150 per cent in 1901, and it was quoted between 140 and 180 per cent, according to grade of tobacco, in 1902. The net profit of the government from its tobacco monopoly, or rate of income as compared with the purchasing price of the business from individual concerns, was 77.9 per cent in the fiscal year 1897 (from January to March); 86.2 per cent in 1898; 94.0 per cent in 1899; 88.1 per cent in 1900; 158.8 per cent in 1901; 178.8 per cent in 1902; and 152.9 per cent in 1903.

The raising of the tariff rate by the government should also be noted in connection with the rise in prices of commodities during these years. In 1897 the Japanese Government promulgated its customs tariff law¹, which took effect from January 1, 1899. According to this tariff law, the taxable articles in Class No. 1 were 497, divided into 16 groups. These articles were subjected to the imposition of a tax from the minimum rate of 5 per cent up to the maximum rate of 40 per cent. By applying these rates of duty to the articles imported into Japan from abroad during the year 1895, we get an average rate of duty of 12.3 per cent. But as Japan has a conventional tariff contract (treaty) with England, France, Germany and Austria, this treaty too must be taken into consideration. Even in that case the average rate of duty was 10.52 per cent. Previous to the promulgation of the said tariff law, the average rate of customs duty in Japan was 3.57 per cent. The following statistics show the relation

¹ Law No. 14.

between the amount of the government's income from customs duties and the prices of the imported articles upon which duty was levied, for twenty years from 1889. As the figures below indicate, the average rate of tariff duty in Japan was 3.89 per cent for the ten years previous to the promulgation of the said tariff law, that is, from 1889, but it increased to 11.37 per cent for the ten years 1899-1908 which followed the promulgation of the said law.

REVENUE FROM CUSTOMS DUTIES, 1889-1908

| Year | Returns from import duty | Value of imported articles, upon which duty was levied | Rate of customs duty |
|-------------------------|--------------------------|--|----------------------|
| | <i>Yen</i> | <i>Yen</i> | <i>Per cent</i> |
| 1889..... | 2,863,576 | 63,403,345 | 4.52 |
| 1890..... | 2,932,637 | 65,795,098 | 4.46 |
| 1891..... | 2,401,238 | 54,822,790 | 4.38 |
| 1892..... | 2,745,777 | 64,299,862 | 4.27 |
| 1893..... | 3,098,627 | 79,462,140 | 3.89 |
| 1894..... | 3,506,500 | 103,195,819 | 3.40 |
| 1895..... | 4,238,842 | 118,680,124 | 3.57 |
| 1896..... | 4,915,289 | 130,431,094 | 3.77 |
| 1897..... | 5,295,123 | 139,975,246 | 3.78 |
| 1898..... | 6,280,620 | 165,522,430 | 3.80 |
| 1899 ^a | 13,251,833 | 136,489,625 | 9.71 |
| 1900..... | 16,764,165 | 200,458,007 | 8.36 |
| 1901..... | 14,457,526 | 165,214,574 | 8.75 |
| 1902..... | 14,727,596 | 151,037,567 | 9.75 |
| 1903..... | 16,372,024 | 168,547,397 | 9.71 |
| 1904..... | 20,519,938 | 208,450,952 | 9.84 |
| 1905..... | 34,298,519 | 294,268,906 | 11.66 |
| 1906..... | 41,230,391 | 281,337,980 | 14.66 |
| 1907..... | 46,959,596 | 307,358,291 | 15.28 |
| 1908..... | 44,817,856 | 281,399,648 | 15.93 |

^a New tariff enforced.

As the foregoing figures indicate there can be no doubt that the raising of the rate of import duty influenced the prices of commodities in Japan during these years.

The imposition of a consumption tax upon merchandise brings about a rise in the price of that merchandise of approximately the same amount, either more or less, according to circumstances. Then a rise in the price of one article influences the prices of other articles which have relations with that article in the same market. Therefore it may be stated

that the raising of the duty on consumption was the principal factor in causing the rise in the prices of commodities during these years in Japan.

PRICES OF LABOR

As stated heretofore, the price of labor always rises more rapidly and to a greater degree than the prices of commodities in Japan, as the prices of labor and commodities during these years in the two largest cities in the country, Tokyo and Osaka, as given in the table below, indicate:

PRICES OF LABOR AND COMMODITIES IN TOKYO AND OSAKA, 1893-1910 ^a

| Year | Tokyo | | | Osaka | | |
|-----------|-------|------------------|-------|-------|------------------|-------|
| | Labor | Com- modities | Rice | Labor | Com- modities | Rice |
| 1893..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1898..... | 145.8 | 139.5 | 200.7 | 168.6 | 159.5 | 196.4 |
| 1903..... | 170.2 | 148.5 | 176.3 | 199.0 | 185.3 | 194.1 |
| 1908..... | 196.1 | 186.0 | 213.5 | 279.0 | 224.1 | 212.0 |
| 1909..... | 193.9 | 176.7 | 178.7 | 268.6 | 217.7 | 173.7 |
| 1910..... | 196.5 | 180.9 | 179.9 | 274.4 | 220.2 | 176.3 |

^a For particulars of the foregoing figures, the previous section as well as statements that will be given later on the same subject are referred to. But as the figures for the years 1908 and beyond have been prepared especially for the above table, no further explanation of them will be given.

From the foregoing statistics it may be seen that the prices of labor always rose higher than the prices of commodities, especially rice. But we must first examine what changes the price of labor has passed through since the Restoration of 1868, and then we can see what effect the war had upon the prices of labor in general.

The table on the next page, prepared by the Bank of Japan, gives a view of the prices of 24 kinds of labor in the city of Tokyo from 1873 to 1910.

As these figures indicate, the price of labor did not rise at all rapidly, from 1873 to 1893, or before the outbreak of the Sino-Japanese War, but after that war it suddenly rose considerably. After the Russo-Japanese War

PRICE OF LABOR IN TOKYO, 1873-1910

| Year | Price of labor | Year | Price of labor |
|-----------|----------------|-----------|----------------|
| 1873..... | 100.00 | 1892..... | 124.04 |
| 1874..... | 102.80 | 1893..... | 124.92 |
| 1875..... | 101.95 | 1894..... | 135.25 |
| 1876..... | 101.25 | 1895..... | 152.00 |
| 1877..... | 104.46 | 1896..... | 158.29 |
| 1878..... | 109.88 | 1897..... | 166.58 |
| 1879..... | 116.17 | 1898..... | 179.75 |
| 1880..... | 125.92 | 1899..... | 185.43 |
| 1881..... | 127.58 | 1900..... | 194.38 |
| 1882..... | 129.96 | 1901..... | 203.17 |
| 1883..... | 130.58 | 1902..... | 200.08 |
| 1884..... | 126.03 | 1903..... | 200.50 |
| 1885..... | 127.29 | 1904..... | 201.38 |
| 1886..... | 127.38 | 1905..... | 210.29 |
| 1887..... | 126.42 | 1906..... | 219.91 |
| 1888..... | 126.63 | 1907..... | 225.32 |
| 1889..... | 125.79 | 1908..... | 237.54 |
| 1890..... | 123.17 | 1909..... | 233.92 |
| 1891..... | 121.29 | 1910..... | 224.54 |

(1904-1905), the price of labor did not rise so rapidly as it did after the Sino-Japanese War. It may be seen, therefore, that the changing conditions in the economic world following the Sino-Japanese War affected the price of labor, too, for the great activity prevailing during those years in economic circles increased the income of the people at large, and brought about a rise in the people's standard of living. The increase in the cost of living thus brought about, naturally caused a rise in the price of labor.

Let us further examine the relative prices of labor in both Tokyo and Osaka, as investigated by the Finance Bureau of the Department of Finance as well as by the Bank of Japan for these years. Particulars are given in Tables VI, VII, and VIII at the end of this chapter.¹

As the figures in these tables show, the prices of labor during the years specified advanced 6 or 7 per cent a year. What relation the price of labor has to the prices of commodities will be discussed in the next section.

¹ *Post*, p. 312-315.

PRICES OF LABOR IN TOKYO AND OSAKA, 1893-1903

| Year | In Tokyo (of 26 kinds of labor) ^a | In Osaka (of 43 kinds of labor) ^a | In Tokyo (of 24 kinds of labor) ^b | Average | Rate of in- crease com- pared with previous year |
|-----------|--|--|--|---------|---|
| 1893..... | 100.0 | 100.0 | 100.0 | 100.0 | .... |
| 1894..... | 109.2 | 111.9 | 108.3 | 109.8 | 9.8 |
| 1895..... | 118.6 | 132.3 | 121.7 | 124.2 | 14.4 |
| 1896..... | 129.1 | 141.7 | 126.7 | 132.5 | 8.3 |
| 1897..... | 140.2 | 161.6 | 133.3 | 145.0 | 12.5 |
| 1898..... | 145.8 | 168.6 | 143.9 | 152.8 | 7.8 |
| 1899..... | 147.8 | 169.4 | 148.4 | 155.2 | 2.4 |
| 1900..... | 167.2 | 183.6 | 155.6 | 168.8 | 13.6 |
| 1901..... | 169.7 | 179.3 | 162.6 | 170.5 | 1.7 |
| 1902..... | 170.6 | 182.3 | 160.2 | 171.0 | 0.5 |
| 1903..... | 170.2 | 199.0 | 160.5 | 176.6 | 5.6 |
| | | | | | 7.7 ^c |

^a As investigated by Finance Department. ^b As investigated by Bank of Japan.
^c Average.

PRICES AND INCOMES

Since 1893, the prices of labor have fluctuated to a far greater extent than the prices of commodities in Japan, as was briefly stated in the foregoing sections. The following

FLUCTUATIONS IN PRICES OF LABOR AND COMMODITIES, 1893-1903^a

| Year | Prices of commodities | Prices of labor | Excess of rise in prices of labor over rise in prices of commodities |
|-----------|--------------------------|--------------------|--|
| 1893..... | 100.0 | 100.0 | .... |
| 1894..... | 105.0 | 109.8 | 4.8 |
| 1895..... | 111.0 | 124.2 | 13.2 |
| 1896..... | 123.1 | 132.5 | 9.4 |
| 1897..... | 138.8 | 145.0 | 6.2 |
| 1898..... | 147.9 | 152.8 | 4.9 |
| 1899..... | 148.8 | 155.2 | 6.4 |
| 1900..... | 162.7 | 168.8 | 6.1 |
| 1901..... | 156.4 | 170.5 | 14.1 |
| 1902..... | 154.2 | 171.0 | 16.8 |
| 1903..... | 161.7 | 176.6 | 14.9 |

^a Figures for prices of commodities given in the above table are the average prices of 31 different commodities in Tokyo and 13 commodities in Osaka, as investigated by the Finance Bureau, and of 40 commodities in Tokyo, as investigated by the Bank of Japan. Details as to these figures were given under "Prices of Commodities," p. 284. Figures for the prices of labor are the average prices of 26 kinds of labor in Tokyo, as prepared by the Finance Bureau, and of 24 kinds of labor in Tokyo and 43 kinds of labor in Osaka, as prepared by the Bank of Japan.

statistics, prepared by the Finance Bureau of the Department of Finance and by the Bank of Japan, give the ratio of the fluctuation in the prices of labor to that in the prices of commodities in the cities of Tokyo and Osaka.

As the figures in the foregoing table indicate, there is little doubt that the increase in the income of the working people of Japan during the years specified was proportionately greater than that in the prices of commodities.

The income of a laborer belonging to the class referred to is generally 30 or 40 *sen* a day, the highest not exceeding 95 *sen*. The annual income, therefore, must be less than 300 *yen*. A man of this rating certainly belongs to a financially low class in society. We must therefore examine the incomes of the middle and higher classes. Now as the people belonging to these classes pay an income tax, we may determine their income by studying income-tax statistics. The following table shows the number of people paying the third-class income tax and their income:¹

INCOMES AND INCOME TAXES, 1893-1903

| Year | No. of tax-payers | Per-centage | Total income | Per-centage | Amount of in- come per tax- payer | Per-centage | Index numbers for prices of com- modities |
|----------|-------------------|-------------|--------------|-------------|-----------------------------------|-------------|---|
| | | | <i>Yen</i> | | <i>Yen</i> | | |
| 1893.... | 124,077 | 100.0 | 91,313,447 | 100.0 | 736 | 100.0 | 100.0 |
| 1894.... | 129,327 | 104.2 | 99,470,716 | 108.9 | 769 | 104.5 | 105.0 |
| 1895.... | 134,732 | 108.6 | 107,553,679 | 117.8 | 798 | 108.4 | 111.0 |
| 1896.... | 151,041 | 121.7 | 127,299,728 | 139.4 | 843 | 114.5 | 123.1 |
| 1897.... | 172,764 | 139.3 | 147,676,544 | 161.7 | 855 | 116.2 | 138.8 |
| 1898.... | 195,292 | 157.4 | 168,480,424 | 184.5 | 863 | 117.2 | 147.9 |
| 1899.... | 342,721 | 276.2 | 204,117,466 | 237.4 | 633 | 86.0 | 148.8 |
| 1900.... | 431,378 | 347.7 | 253,251,341 | 291.7 | 617 | 83.8 | 162.7 |
| 1901.... | 510,779 | 411.7 | 291,256,213 | 334.9 | 599 | 81.4 | 156.4 |
| 1902.... | 580,849 | 468.1 | 326,230,305 | 373.8 | 588 | 79.9 | 154.2 |
| 1903.... | 548,976 | 523.0 | 366,931,266 | 420.7 | 592 | 80.4 | 161.7 |

¹ The income tax of this class is levied on their individual incomes, after interest on public bonds or debentures belonging to them has been subtracted. In other words, it is levied on all incomes except those of legal persons, or those which accrue from interest on public bonds or debentures payable in the territories of Japan where the income tax law is effective.

As the above figures indicate, the number of taxpayers belonging to this class steadily increased and in 1903 became about five times as great as in 1893. But disregarding the number, and considering the taxpayers of this class as a body, we see that the rate of increase in their aggregated incomes closely corresponds to the rate of increase in the prices of commodities during these years. The increase in the number of taxpayers and decrease in the amount of income per taxpayer are phenomena arising from the revision of the Income Tax Law, and from a stricter enforcement of the law, so nobody will contradict us if we say that these phenomena do not necessarily indicate a decrease in the aggregate income of the Japanese people at large. In a word, as the entire income of any one class in society is the collective income of the taxpayers in that society, it is not improper to compare the fluctuations in the total income of a country with the index number of price. But in this connection a few points must be borne in mind. (1) Excepting those who receive a stated income from their earnings, there may be many who do not report their entire incomes correctly and strictly to the government. (2) As a result of the revision of the Income Tax Law in 1899, the method of deciding as to taxpayers and of estimating the amount of individual incomes was somewhat changed. For instance, before the said revision, permanent residents only paid an income tax, but after the revision, the tax was obligatory not only upon permanent residents, but also upon those who reside in one place for more than a year, and also upon those who merely own property, or have business interests, or carry on their occupations in any place where this income tax law is effective. Again, before the said revision, the taxable income of each individual taxpayer included the whole of his income, but after the revision incomes were divided into three classes: (1) income of legal persons, (2) income from interest on public bonds or debentures, and (3) income of individuals. From the income of individuals was subtracted that part, if any such there were, as certain shares of legal persons, upon which the income tax

had already been levied by the government. So that the above described amount of income tax is not the total of individual incomes; moreover, the amount of the income tax of each new taxpayer was given in full from the year when he became qualified for paying the tax. This point, too, differed a little from the former regulations. These points must all be taken into consideration if the method suggested above for calculating incomes is to produce correct results.

We may sum it all up by saying that after the Sino-Japanese War the incomes of the middle and higher classes in Japan gradually increased with the improvement in the economic condition of the country, so that the incomes of these classes maintained much the same relation as before to the prices of commodities, notwithstanding the rapid rise of the latter during the years specified.

COST OF LIVING

During the Sino-Japanese War the style of living of the Japanese people did not show any appreciable effects of the war, but after the war a great change was observable.

When the war was concluded, the Japanese people in general, stimulated by their recent victory, began to show a tendency toward a more luxurious style of living. This tendency was further encouraged by the increase in the incomes of the people, especially of the middle and lower classes, due to the increased activity in the economic world which followed the war, and also to the distribution of monetary gifts by the government among soldiers, sailors, etc., for their services in connection with the war. Then, again, the war awakened the Japanese people, and they began to adopt many features of Western style to meet the various social requirements of their improved mode of living. Thus, on the one hand, the style of living in Japan was greatly improved, but on the other, the cost of living was considerably increased. As stated in the foregoing sections, the prices of labor and the incomes of the people at large increased in proportion to the rise in the prices of commodities during these

years. If we look only at these facts, the living conditions seem to have been very encouraging, but when we consider that the cost of living includes not only the daily necessities whose prices have just been quoted, but also house rent, bath charges, etc., we shall understand more perfectly what effect the war really had upon living conditions in Japan. Thus, in the present section, we propose to examine the relation between the increase in the incomes of the people and the ratio of house rent, bath charges, etc.,—items of expense which constitute a part of the cost of living.

Before the Sino-Japanese War, with a view to ascertaining the recent changes in the cost of living of the people, the Monetary Investigation Commission appointed by the Finance Department of the Japanese Government investigated the prices of such commodities as rice, bean paste (*miso*), salt, soy, firewood, charcoal, cotton fabrics, house rent and bath charges in the city of Tokyo, made averages of these, and compared these averages with the prices of labor and commodities in the same city, as follows:

RATIO OF COST OF LIVING TO PRICES OF COMMODITIES AND LABOR, 1873-1893

| Items | 1873 | 1877 | 1882 | 1887 | 1892 | 1893 |
|----------------------------|------|------|------|------|------|------|
| Cost of living: | | | | | | |
| Rice..... | 100 | 111 | 184 | 103 | 151 | 154 |
| Bean paste..... | 100 | 138 | 221 | 153 | 197 | 192 |
| Salt..... | 100 | 76 | 158 | 86 | 108 | 95 |
| Soy..... | 100 | 130 | 157 | 138 | 154 | 156 |
| Firewood..... | 100 | 125 | 305 | 153 | 158 | 162 |
| Charcoal..... | 100 | 100 | 226 | 127 | 179 | 165 |
| Cotton fabrics..... | 100 | 106 | 129 | 112 | 118 | 124 |
| House rent..... | 100 | 123 | 150 | 192 | 226 | 225 |
| Bath charges..... | 100 | 165 | 246 | 216 | 221 | 221 |
| Average..... | 100 | 119 | 197 | 142 | 168 | 166 |
| Prices of commodities..... | 100 | 107 | 95 | 104 | 122 | 122 |
| Prices of labor..... | 100 | 106 | 90 | 131 | 128 | 129 |

From the figures in the foregoing table it will be seen that prices of labor rose steadily with the increased prices of commodities, but they remained far below the increased cost of living. We shall now continue the investigation from the

year 1893 on. As we have no authentic figures for house rent and bath charges during these years, we shall first compare the prices of daily necessities with the prices of labor, and then compare them with the rate of increase in taxes, which was especially remarkable after the war. The average prices of some of the daily necessities in the city of Tokyo are shown in Table IX at the end of this chapter.¹

According to the figures in this table, the prices of labor always advanced faster than the index number for the prices of commodities. They also rose steadily year after year, except in 1903, when they fell slightly. Bath charges, too, rose gradually during these years, while house rent rose considerably in response to improvement in the means of transportation in the city of Tokyo. Such being the case, it may be stated that the style of living of the people did not improve commensurately with the rise in the price of labor and the incomes of the people.

In addition we must note the changes in taxes, which increased the financial burdens of the people, and indirectly made improvement in style of living difficult. The increase in the burden of each taxpayer (such as government, prefectural, municipal, town and village taxes) was 50 per cent in 1898, and 100 per cent in 1900, and this increase certainly reduced the scale of living to a considerable extent. The particulars are given in the table below:

COMPARISON OF WAGES, COST OF LIVING AND TAXES, 1893-1903

| Year | Prices of labor | Prices of daily necessities | Taxation |
|-----------|-----------------|-----------------------------|----------|
| 1893..... | 100.0 | 100.0 | 100.0 |
| 1894..... | 109.8 | 109.2 | 101.2 |
| 1895..... | 124.2 | 118.6 | 105.2 |
| 1896..... | 132.5 | 129.1 | 111.9 |
| 1897..... | 145.0 | 140.2 | 133.8 |
| 1898..... | 152.8 | 145.8 | 148.6 |
| 1899..... | 155.2 | 147.8 | 187.2 |
| 1900..... | 168.8 | 167.2 | 199.5 |
| 1901..... | 170.5 | 169.7 | 211.7 |
| 1902..... | 171.0 | 170.6 | 226.2 |
| 1903..... | 176.6 | 170.2 | 218.6 |

¹ *Post*, p. 316.

In short, after the Sino-Japanese War, while the price of labor rose, and the general income of the Japanese people increased to a considerable extent, the burden of taxes increased also, prices of commodities rose, and thus the general cost of living advanced. In addition, the people developed a tendency toward more luxurious living; therefore the style of living in Japan did not improve at all during these years. And it may also be stated that these obstacles to improvement in the condition of living during these years all arose from the Sino-Japanese War. See Table X at the end of this chapter.¹

POPULATION

The economic activity that followed the Sino-Japanese War brought about much prosperity in cities throughout the country, and as many kinds of industrial enterprises were started in these cities, there was naturally, in consequence, a general demand for labor in such places, especially in what are known as the industrial centers of the country. In such localities the price of labor and the income of the people in general were rather higher than in the agricultural districts. Large numbers of people, therefore, moved from the agricultural districts to these industrial centers. They included many ambitious young persons who, stimulated by the general awakening after the war, left these districts to seek their fortunes in cities. Thus the tendency was towards a concentration of population in cities during these years, as indicated in the statistics given in Tables XI (1) and XI (2) at the end of this chapter.²

As the figures in these tables indicate, the rate of increase in the total population of the towns and villages was rather small—smaller, except in 1898, than that in the whole population of the country, and far smaller than the rate of increase in the population of cities. Among towns and villages, the population in those towns whose population is above 10,000 showed a considerable increase.

Let us now consider the number of towns and villages

¹ *Post*, p. 317.

² *Post*, pp. 318, 319.

whose population is less than 20,000 each (Class No. 1); then those cities whose population is above 20,000 but below 100,000 (Class No. 2) and finally those cities whose population is more than 100,000 each (Class No. 3) with the population of these cities, towns and villages, and then compare them with each other. The rate of increase in the population of the towns and villages of Class No. 1 is smaller than in the case of Classes Nos. 2 and 3, and far smaller than the rate of increase in the whole population of the country. The rate of increase in the population of cities in Class No. 2 was a little larger, and it was largest of all in the case of cities in Class No. 3, as the statistics below indicate:

TOWNS AND VILLAGES WHOSE POPULATION IS LESS THAN 20,000 (CLASS NO. 1)

| Year | Number of towns and villages | Total population | Percentage of number of towns and villages | Percentage of population |
|-----------|------------------------------|------------------|--|--------------------------|
| 1888..... | 71,295 | 35,874,298 | 100.0 | 100.0 |
| 1893..... | 15,810 | 37,275,893 | 106.0 | 104.4 |
| 1898..... | 13,947 | 39,384,980 | 109.0 | 110.6 |
| 1906..... | 13,224 | 40,974,921 | 111.0 | 118.0 |
| 1908..... | 12,351 | 42,430,105 | 118.0 | 126.0 |

CITIES WHOSE POPULATION IS 20,000 AND MORE BUT LESS THAN 100,000 (CLASS NO. 2)

| Year | Number of cities | Population | Percentage of population |
|-----------|------------------|------------|--------------------------|
| 1888..... | 50 | 1,808,726 | 100 |
| 1893..... | 61 | 2,270,110 | 120 |
| 1898..... | 72 | 2,520,151 | 139 |
| 1903..... | 80 | 3,098,251 | 171 |
| 1908..... | 95 | 3,775,540 | 208 |

CITIES WHOSE POPULATION IS 100,000 AND MORE (CLASS NO. 3)

| Year | Number of cities | Population | Percentage of population |
|-----------|------------------|------------|--------------------------|
| 1888..... | 6 | 2,422,455 | 100 |
| 1893..... | 6 | 2,514,973 | 104 |
| 1898..... | 8 | 3,497,910 | 144 |
| 1903..... | 9 | 4,469,564 | 185 |
| 1908..... | 10 | 5,536,835 | 229 |

The percentage of the whole population of the country means the rate of increase in the whole population of Japan. Observing the above figures in this light, it may be stated that the rate of increase in the population of towns and villages, especially in those of small population, was less than the rate of increase in the whole population of the country. This indicates that the people of these smaller towns and villages were moving to the cities.

The migration of people to cities is a phenomenon which is unavoidable with the advance of society. And the Sino-Japanese War, which brought about a general awakening of the Japanese people, may be considered one of the principal factors which caused the concentration of people in cities in Japan.

TABLE I.—WHOLESALE PRICES IN TOKYO, 1893-1903^a

| Year | Investigations of the Finance Department | | | | | Investigations of the Bank of Japan | | | | |
|-----------|--|---------------|-----------------------|---------|------------|-------------------------------------|-----------------------|---------|--|--|
| | Foodstuffs | Raw materials | Manufactured articles | Average | Foodstuffs | Raw materials | Manufactured articles | Average | | |
| 1893..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | | |
| 1894..... | 100.3 | 101.7 | 100.8 | 100.9 | 108.1 | 109.9 | 111.9 | 107.7 | | |
| 1895..... | 101.9 | 109.0 | 109.5 | 106.7 | 117.8 | 111.2 | 112.7 | 113.9 | | |
| 1896..... | 124.1 | 122.6 | 110.6 | 119.6 | 125.4 | 120.9 | 122.9 | 122.7 | | |
| 1897..... | 150.0 | 134.0 | 112.8 | 133.5 | 141.3 | 147.0 | 126.7 | 138.1 | | |
| 1898..... | 160.4 | 136.0 | 116.6 | 139.0 | 146.3 | 156.8 | 132.2 | 144.9 | | |
| 1899..... | 145.7 | 150.3 | 137.0 | 144.8 | 147.9 | 149.2 | 137.7 | 144.7 | | |
| 1900..... | 162.5 | 167.2 | 145.0 | 159.1 | 151.5 | 156.5 | 149.4 | 154.8 | | |
| 1901..... | 145.5 | 164.0 | 131.5 | 148.0 | 149.0 | 143.6 | 150.7 | 147.8 | | |
| 1902..... | 150.1 | 151.7 | 129.0 | 144.5 | 143.2 | 146.4 | 143.9 | 144.5 | | |
| 1903..... | 156.5 | 152.9 | 128.9 | 147.2 | 148.4 | 168.3 | 148.1 | 154.9 | | |

^a Based upon investigations made by the Finance Bureau of the Department of Finance and by the Bank of Japan. The figures prepared by the Finance Bureau show the average price of 31 principal articles of merchandise, and those by the Bank of Japan of 40 articles.

TABLE II.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893-1903^a
Raw materials

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fertilizer..... | 100.0 | 101.8 | 109.0 | 134.5 | 132.7 | 151.9 | 154.1 | 162.1 | 146.0 | 144.7 | 156.7 |
| Ginned cotton..... | 100.0 | 99.3 | 104.4 | 117.3 | 120.1 | 111.5 | 114.5 | 135.3 | 136.7 | 134.5 | 134.6 |
| Copper..... | 100.0 | 110.2 | 123.5 | 133.3 | 146.7 | 149.3 | 208.5 | 218.7 | 203.2 | 168.7 | 181.3 |
| Iron..... | 100.0 | 114.1 | 112.9 | 112.6 | 137.0 | 126.7 | 152.8 | 179.6 | 146.8 | 137.6 | 131.7 |
| Firewood..... | 100.0 | 100.8 | 116.3 | 127.0 | 144.8 | 149.0 | 155.2 | 179.2 | 166.1 | 174.2 | 169.3 |
| Charcoal..... | 100.0 | 95.7 | 108.5 | 131.6 | 147.9 | 137.2 | 152.1 | 181.6 | 183.2 | 181.6 | 169.2 |
| Cotton wadding..... | 100.0 | 100.0 | 100.0 | 118.7 | 126.4 | 123.1 | 128.1 | 154.0 | 157.6 | 145.5 | 147.0 |
| Raw lacquer..... | 100.0 | 95.8 | 91.9 | 101.6 | 99.7 | 104.6 | 101.6 | 107.8 | 100.2 | 91.4 | 95.3 |
| Kerosene..... | 100.0 | 105.3 | 131.0 | 134.0 | 125.2 | 123.4 | 152.3 | 180.3 | 171.4 | 157.0 | 177.9 |
| Sulphur..... | 100.0 | 89.2 | 81.2 | 99.6 | 132.5 | 137.8 | 134.9 | 131.2 | 126.9 | 122.8 | 125.4 |
| Leather, etc..... | 100.0 | 106.1 | 121.1 | 138.3 | 161.5 | 181.8 | 199.1 | 209.8 | 265.9 | 210.2 | 193.4 |
| Average..... | 100.0 | 101.7 | 109.0 | 122.6 | 134.0 | 136.0 | 150.3 | 167.2 | 164.0 | 151.7 | 152.9 |

^a Prepared by the Bureau of Finance.

Foodstuffs

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Refined rice..... | 100.0 | 119.8 | 120.4 | 133.6 | 162.4 | 200.7 | 136.1 | 162.3 | 166.6 | 171.6 | 176.3 |
| Flour..... | 100.0 | 97.7 | 93.8 | 103.6 | 146.3 | 146.9 | 131.9 | 131.3 | 127.9 | 128.6 | 148.2 |
| Bean paste..... | 100.0 | 92.3 | 103.5 | 131.2 | 136.7 | 178.9 | 171.9 | 167.9 | 144.5 | 144.3 | 171.7 |
| Soy..... | 100.0 | 98.8 | 97.4 | 106.5 | 137.8 | 115.2 | 121.1 | 130.9 | 128.3 | 115.5 | 118.4 |
| Salted articles..... | 100.0 | 94.3 | 88.0 | 144.0 | 162.7 | 208.4 | 105.3 | 167.2 | 100.9 | 176.3 | 122.1 |
| Salt..... | 100.0 | 96.4 | 109.5 | 193.4 | 275.9 | 217.9 | 184.0 | 222.3 | 190.5 | 188.7 | 225.2 |
| Sake (refined)..... | 100.0 | 107.3 | 118.9 | 140.8 | 165.7 | 191.2 | 212.4 | 239.0 | 240.7 | 254.4 | 263.4 |
| Sugar..... | 100.0 | 97.9 | 89.2 | 100.3 | 115.1 | 109.4 | 114.2 | 118.3 | 125.3 | 94.7 | 113.5 |
| Tea, refined..... | 100.0 | 104.3 | 104.7 | 96.1 | 106.7 | 115.8 | 115.0 | 119.5 | 104.5 | 106.0 | 113.2 |
| Dried articles..... | 100.0 | 88.5 | 76.4 | 80.9 | 101.5 | 135.6 | 151.2 | 163.4 | 126.1 | 135.3 | 120.8 |
| Eggs..... | 100.0 | 105.7 | 119.2 | 134.8 | 139.0 | 144.0 | 159.1 | 165.8 | 145.7 | 135.9 | 149.2 |
| Average..... | 100.0 | 100.3 | 101.9 | 124.1 | 150.0 | 160.4 | 145.7 | 162.5 | 145.5 | 150.1 | 156.5 |

TABLE II.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893-1903—Continued
Manufactured articles

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Shirting..... | 100.0 | 115.8 | 109.3 | 109.6 | 114.1 | 116.7 | 127.7 | 142.5 | 148.5 | 144.9 | 143.3 |
| Cotton (momen)..... | 100.0 | 102.0 | 107.0 | 116.3 | 118.1 | 111.7 | 109.9 | 128.6 | 128.6 | 122.4 | 116.0 |
| Matting..... | 100.0 | 90.6 | 103.7 | 120.9 | 112.7 | 110.2 | 127.9 | 146.7 | 155.7 | 141.8 | 115.6 |
| Cotton fabrics (tissues)..... | 100.0 | 100.9 | 115.5 | 113.5 | 112.3 | 115.0 | 158.6 | 142.4 | 124.4 | 121.8 | 132.6 |
| Nails, screws, etc..... | 100.0 | 110.0 | 104.4 | 103.1 | 114.3 | 119.8 | 127.0 | 159.6 | 138.8 | 122.0 | 115.7 |
| Floss silk..... | 100.0 | 99.7 | 106.0 | 111.4 | 125.1 | 124.6 | 148.1 | 164.0 | 148.7 | 143.8 | 150.8 |
| Silk yarn..... | 100.0 | 93.3 | 105.0 | 99.8 | 100.3 | 116.7 | 142.9 | 139.7 | 106.7 | 117.7 | 125.7 |
| Silk fabric..... | 100.0 | 100.9 | 115.5 | 113.5 | 112.3 | 115.0 | 158.6 | 142.4 | 124.4 | 121.8 | 132.6 |
| Silk lining..... | 100.0 | 98.2 | 115.5 | 112.7 | 105.7 | 112.2 | 150.0 | 142.9 | 112.1 | 115.3 | 125.2 |
| Average..... | 100.0 | 100.8 | 109.5 | 110.6 | 112.8 | 116.6 | 137.0 | 145.0 | 131.5 | 129.0 | 128.9 |
| Grand average..... | 100.0 | 100.9 | 106.7 | 119.6 | 133.5 | 139.0 | 144.8 | 159.1 | 148.0 | 144.5 | 147.2 |

TABLE III.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893-1903*
Raw materials

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Coal..... | 100.0 | 130.0 | 135.4 | 115.9 | 169.9 | 197.3 | 157.5 | 161.1 | 175.2 | 172.6 | 152.2 |
| Copper..... | 100.0 | 110.1 | 123.2 | 134.8 | 145.7 | 149.3 | 207.2 | 217.4 | 203.6 | 168.8 | 179.0 |
| Iron..... | 100.0 | 123.2 | 127.2 | 117.6 | 150.4 | 137.6 | 168.0 | 187.2 | 156.8 | 144.0 | 142.4 |
| Cotton, ginned..... | 100.0 | 99.1 | 108.0 | 118.6 | 125.7 | 115.0 | 117.7 | 136.3 | 137.2 | 135.4 | 132.7 |
| Timber..... | 100.0 | 118.6 | 145.5 | 148.5 | 193.3 | 197.8 | 185.8 | 206.0 | 188.1 | 152.2 | 161.9 |
| Charcoal..... | 100.0 | 87.2 | 112.8 | 157.3 | 152.1 | 152.1 | 151.3 | 154.7 | 129.9 | 133.3 | 129.9 |
| Firewood..... | 100.0 | 99.1 | 114.8 | ..... | 148.7 | 167.8 | 159.1 | 167.8 | 150.0 | 158.3 | 144.4 |
| Rice bran..... | 100.0 | 114.8 | 123.8 | 119.7 | 139.3 | 166.9 | 143.4 | 138.5 | 125.4 | 132.0 | 139.3 |
| Vegetable wax..... | 100.0 | 106.0 | 103.6 | 147.6 | 147.6 | 141.7 | 121.4 | 119.0 | 111.9 | 151.0 | 247.6 |
| Raw lacquer..... | 100.0 | 91.1 | 93.8 | 99.1 | 100.0 | 99.1 | 92.9 | 100.9 | 93.8 | 86.6 | 90.2 |
| Nails, etc..... | 100.0 | 109.0 | 105.0 | 98.2 | 98.2 | 96.4 | 116.2 | 146.8 | 136.9 | 116.2 | 105.4 |
| Hides, leather..... | 100.0 | 104.7 | 118.0 | 131.3 | 132.8 | 143.8 | 153.9 | 165.6 | 156.3 | 159.4 | 160.2 |
| Hemp..... | 100.0 | 107.5 | 110.8 | 110.8 | 123.3 | 123.3 | 118.3 | 135.0 | 146.7 | 145.0 | 158.3 |
| Average..... | 100.0 | 108.1 | 117.8 | 125.4 | 141.3 | 146.3 | 147.9 | 151.5 | 149.0 | 143.2 | 148.4 |

* Based upon statistics secured by the Bank of Japan, in which the average prices for the month of January, 1887, were taken as 100.

TABLE III.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN TOKYO, 1893-1903—Continued
Foodstuffs

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sake..... | 100.0 | 121.7 | 124.1 | 125.3 | 153.0 | 168.7 | 173.5 | 188.0 | 185.5 | 203.6 | 209.6 |
| Soy..... | 100.0 | 106.5 | 112.0 | 111.1 | 122.2 | 133.3 | 135.2 | 144.4 | 152.8 | 125.9 | 128.7 |
| Dried bonito..... | 100.0 | 114.0 | 162.3 | 164.0 | 221.9 | 209.6 | 209.6 | 223.7 | 208.8 | 222.8 | 225.4 |
| Sugar..... | 100.0 | .... | 109.9 | 107.7 | 130.8 | 150.5 | 156.0 | 179.1 | 165.9 | 164.8 | 178.0 |
| Barley..... | 100.0 | 113.0 | 109.9 | 103.1 | 129.0 | 194.7 | 154.2 | 148.9 | 131.3 | 140.5 | 195.4 |
| Salt..... | 100.0 | 94.4 | 112.4 | 188.8 | 273.0 | 215.7 | 180.9 | 219.1 | 186.5 | 183.2 | 214.6 |
| Oats..... | 100.0 | 119.3 | 107.4 | 103.7 | 175.6 | 196.9 | 185.2 | 167.4 | 151.1 | 165.9 | 231.8 |
| Wheat..... | 100.0 | 100.7 | 85.1 | 105.2 | 135.8 | 142.5 | 129.8 | 138.8 | 122.4 | 126.9 | 169.4 |
| Eggs..... | 100.0 | 102.5 | 123.6 | 134.8 | 132.3 | 119.9 | 115.5 | 116.8 | 103.1 | 101.9 | 110.6 |
| Tea, refined..... | 100.0 | 107.8 | 107.0 | 100.0 | 106.9 | 113.9 | 113.9 | 117.4 | 113.0 | 120.9 | 129.6 |
| Bean paste..... | 100.0 | 106.3 | 110.3 | 115.1 | 145.2 | 171.4 | 160.3 | 169.8 | 161.1 | 157.1 | 167.5 |
| Fowls..... | 100.0 | 106.8 | 101.4 | 124.7 | 92.5 | 107.5 | 125.3 | 132.9 | 111.0 | 115.1 | 118.5 |
| Flour..... | 100.0 | 101.6 | 89.1 | 104.7 | 138.0 | 145.7 | 131.8 | 139.5 | 130.2 | 129.5 | 154.3 |
| Average..... | 100.0 | 109.9 | 111.2 | 120.9 | 147.0 | 156.8 | 149.2 | 156.5 | 143.6 | 146.4 | 168.3 |

Manufactured articles

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Cotton yarn..... | 100.0 | 102.7 | 103.6 | 112.7 | 111.8 | 102.7 | 110.0 | 119.1 | 123.3 | 120.0 | 122.7 |
| Shirtings..... | 100.0 | 119.5 | 119.0 | 119.5 | 119.0 | 117.2 | 126.6 | 132.5 | 147.3 | 147.3 | 140.2 |
| Floss silk..... | 100.0 | 101.1 | 109.2 | 116.1 | 132.2 | 137.9 | 148.3 | 166.7 | 149.4 | 143.7 | 160.9 |
| Kerosene..... | 100.0 | 103.4 | 130.3 | 132.6 | 123.6 | 122.5 | 151.7 | 177.5 | 166.3 | 153.9 | 175.3 |
| Cotton (momen)..... | 100.0 | 106.1 | 108.8 | 112.3 | 99.1 | 104.4 | 101.8 | 114.9 | 116.7 | 111.4 | 111.4 |
| Oil cakes..... | 100.0 | 106.3 | 109.2 | 120.4 | 126.8 | 143.0 | 135.9 | 145.1 | 126.1 | 121.1 | 142.3 |
| Fertilizer..... | 100.0 | 100.0 | 108.3 | 159.9 | 134.3 | 163.9 | 159.3 | 164.8 | 152.8 | 149.1 | 160.2 |
| Yarn, spun..... | 100.0 | 108.0 | 103.5 | 107.1 | 115.0 | 103.5 | 112.3 | 136.3 | 138.1 | 128.3 | 147.8 |
| Japanese tobacco, cut..... | 100.0 | 100.0 | 100.9 | 104.5 | 122.5 | 149.5 | 137.8 | 132.3 | 136.0 | 136.9 | 155.9 |
| Mattings..... | 100.0 | 99.3 | 123.1 | 140.1 | 140.1 | 138.8 | 140.8 | 163.9 | 178.2 | 168.7 | 169.4 |
| Oil..... | 100.0 | 111.6 | 130.6 | 157.9 | 184.3 | 86.0 | 183.5 | 181.8 | 185.1 | 174.4 | 152.9 |
| Linings..... | 100.0 | 100.0 | 96.0 | 102.0 | 103.0 | 102.0 | 105.0 | 112.9 | 114.9 | 114.9 | 114.9 |
| Silk yarn..... | 100.0 | 110.1 | 96.0 | 102.0 | 103.0 | 102.0 | 105.0 | 112.9 | 114.9 | 114.9 | 114.9 |
| Plate glass..... | 100.0 | 106.0 | 126.3 | 121.2 | 122.2 | 132.3 | 170.7 | 175.8 | 141.5 | 148.5 | 166.7 |
| Average..... | 100.0 | 111.9 | 106.0 | 116.2 | 133.3 | 143.6 | 160.7 | 178.6 | 226.5 | 189.7 | 159.0 |
| Grand average..... | 100.0 | 107.7 | 113.9 | 122.7 | 138.1 | 144.9 | 144.7 | 154.8 | 147.8 | 144.5 | 154.9 |

TABLE IV.—AVERAGE WHOLESALE PRICES OF MERCHANDISE IN OSAKA, 1893-1903^a

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Rice..... | 100.0 | 122.0 | 122.3 | 128.5 | 157.6 | 196.4 | 136.5 | 160.2 | 163.6 | 170.5 | 194.1 |
| Barley..... | 100.0 | 113.1 | 106.6 | 90.1 | 127.4 | 185.2 | 146.0 | 134.5 | 109.9 | 125.9 | 182.4 |
| Wheat..... | 100.0 | 96.8 | 96.7 | 120.6 | 147.1 | 166.0 | 148.9 | 152.1 | 131.2 | 134.2 | 194.1 |
| Soy beans..... | 100.0 | 105.4 | 104.2 | 112.4 | 144.0 | 153.4 | 151.9 | 159.9 | 145.6 | 141.7 | 154.2 |
| Red beans..... | 100.0 | 122.3 | 109.0 | 84.4 | 106.9 | 135.5 | 139.2 | 121.2 | 112.7 | 148.4 | 162.7 |
| Soy..... | 100.0 | 102.6 | 112.5 | 124.2 | 145.4 | 191.9 | 198.8 | 213.3 | 211.9 | 212.5 | 226.5 |
| Sugar..... | 100.0 | 109.6 | 91.1 | 101.3 | 105.0 | 109.4 | 107.7 | 114.9 | 128.2 | 121.3 | 115.9 |
| Sake..... | 100.0 | 108.6 | 119.4 | 133.7 | 153.9 | 211.0 | 232.3 | 276.6 | 264.7 | 268.3 | 251.5 |
| Dried bonito..... | 100.0 | 116.4 | 163.2 | 189.1 | 236.9 | 221.1 | 208.5 | 250.1 | 302.2 | 303.2 | 318.9 |
| Firewood..... | 100.0 | 101.3 | 111.7 | 161.0 | 162.3 | 161.3 | 175.7 | 211.0 | 186.3 | 188.0 | 175.7 |
| Charcoal..... | 100.0 | 87.8 | 93.6 | 154.6 | 155.8 | 109.8 | 113.1 | 152.7 | 163.7 | 176.5 | 126.2 |
| Kerosene..... | 100.0 | 104.3 | 130.5 | 135.5 | 127.2 | 124.5 | 152.0 | 181.8 | 165.3 | 151.6 | 171.5 |
| Cotton, ginned..... | 100.0 | 94.4 | 101.4 | 119.0 | 123.5 | 108.2 | 122.0 | 136.7 | 129.0 | 134.2 | 134.7 |
| Average..... | 100.0 | 106.5 | 112.5 | 127.3 | 145.6 | 159.5 | 156.4 | 174.2 | 170.3 | 175.1 | 185.3 |

^a Based upon investigations of the Bureau of Finance.

TABLE V.—COMPARISON OF PRICES OF COMMODITIES AND CURRENCY IN CIRCULATION, 1893-1903

| Year | Prices of commodities | | | Average | Index number for currency | Index numbers for Bank of Japan notes and other paper money in circulation |
|-----------|-----------------------|-----------------------|-----------------------|---------|---------------------------|--|
| | In Tokyo ^a | | In Tokyo ^b | | | |
| | In Osaka ^a | In Tokyo ^a | | | | |
| 1893..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1894..... | 100.9 | 106.0 | 107.7 | 104.9 | 103.9 | 98.5 |
| 1895..... | 106.7 | 111.9 | 113.9 | 110.8 | 118.2 | 113.0 |
| 1896..... | 119.6 | 126.7 | 122.7 | 123.0 | 125.9 | 119.4 |
| 1897..... | 133.5 | 144.3 | 138.1 | 138.6 | 138.6 | 127.1 |
| 1898..... | 139.0 | 159.3 | 144.9 | 147.7 | 119.8 | 109.0 |
| 1899..... | 144.8 | 156.1 | 144.7 | 148.5 | 141.2 | 135.6 |
| 1900..... | 159.1 | 173.7 | 154.8 | 162.5 | 133.3 | 121.7 |
| 1901..... | 148.0 | 173.5 | 147.8 | 156.4 | 128.6 | 114.0 |
| 1902..... | 144.5 | 173.0 | 144.5 | 154.0 | 136.9 | 123.6 |
| 1903..... | 147.2 | 181.8 | 154.9 | 161.3 | 138.8 | 124.0 |

^a As investigated by Finance Bureau.

^b As investigated by Bank of Japan.

TABLE VI.—RELATIVE PRICES OF LABOR IN TOKYO, 1893-1903*

| Trade | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 | Average |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Carpenters..... | 100.0 | 100.0 | 108.4 | 120.0 | 133.4 | 148.2 | 153.8 | 168.0 | 168.0 | 165.0 | 170.0 | 139.5 |
| Sawyers..... | 100.0 | 108.1 | 122.8 | 131.9 | 144.0 | 158.4 | 150.5 | 194.2 | 216.0 | 209.9 | 209.4 | 158.7 |
| Plasterers (<i>sakan</i>).... | 100.0 | 111.4 | 114.1 | 117.8 | 134.1 | 155.6 | 146.7 | 163.8 | 161.9 | 168.2 | 140.2 | 140.2 |
| Tilers..... | 100.0 | 114.6 | 123.1 | 119.8 | 139.0 | 157.9 | 156.3 | 175.4 | 177.1 | 158.0 | 149.4 | 142.9 |
| Roofers..... | 100.0 | 100.0 | 109.1 | 109.1 | 139.5 | 144.0 | 145.5 | 171.3 | 166.7 | 163.6 | 163.6 | 137.5 |
| Mat makers..... | 100.0 | 101.3 | 101.5 | 109.7 | 116.7 | 122.5 | 121.3 | 135.7 | 119.0 | 135.7 | 135.7 | 118.1 |
| Repairers of old cotton (<i>watauchi</i>).... | 100.0 | 109.7 | 113.8 | 121.3 | 140.9 | 168.0 | 174.7 | 216.4 | 226.2 | 202.2 | 213.3 | 162.4 |
| Oil pressers (<i>abura-shibori</i>)..... | 100.0 | 102.5 | 100.0 | 131.0 | 138.5 | 150.0 | 150.0 | 157.5 | 154.0 | 150.0 | 164.5 | 136.2 |
| Shipwrights..... | 100.0 | 106.7 | 120.0 | 127.8 | 144.4 | 163.3 | 155.3 | 164.0 | 183.3 | 182.2 | 182.2 | 148.1 |
| Printers..... | 100.0 | 100.0 | 113.6 | 124.1 | 146.1 | 146.5 | 141.2 | 142.4 | 151.3 | 171.9 | 175.0 | 141.2 |
| Laborers (<i>hiraminsoku</i>) | 100.0 | 125.0 | 150.0 | 154.3 | 143.0 | 133.3 | 139.0 | 150.0 | 166.7 | 164.0 | 166.7 | 144.7 |
| Firemen (<i>tobishoku</i>).... | 100.0 | 121.4 | 142.9 | 150.0 | 136.9 | 128.6 | 128.6 | 142.9 | 157.1 | 157.1 | 157.1 | 138.4 |
| Navvies (<i>dokata ninsoku</i>)..... | 100.0 | 121.4 | 142.9 | 150.0 | 136.9 | 126.3 | 128.6 | 142.9 | 157.1 | 157.1 | 157.1 | 138.2 |
| Bricklayers..... | 100.0 | 106.0 | 100.0 | 106.0 | 127.3 | 129.3 | 133.5 | 146.7 | 135.6 | 141.5 | 149.3 | 125.0 |
| Wheelmakers..... | 100.0 | 102.5 | 103.8 | 123.5 | 133.9 | 136.2 | 141.4 | 146.6 | 152.9 | 157.7 | 146.2 | 111.3 |
| Paperhangers..... | 100.0 | 100.0 | 111.6 | 111.6 | 122.2 | 139.2 | 159.1 | 177.9 | 166.6 | 165.1 | 175.8 | 139.0 |
| Cabinet makers..... | 100.0 | 115.8 | 124.0 | 133.3 | 144.4 | 155.6 | 155.6 | 183.3 | 208.4 | 211.0 | 211.0 | 158.4 |
| Clogmakers..... | 100.0 | 100.0 | 112.0 | 120.0 | 140.0 | 145.0 | 156.8 | 195.0 | 190.0 | 196.8 | 208.4 | 150.8 |
| Shoemakers..... | 100.0 | 130.0 | 160.0 | 155.0 | 130.0 | 150.0 | 144.2 | 150.8 | 145.8 | 150.0 | .... | .... |
| Tailors (Japanese).... | 100.0 | 121.1 | 121.1 | 121.1 | 159.7 | 130.8 | 128.4 | 146.5 | 133.7 | 146.0 | 138.5 | 131.5 |
| Tailors (Foreign).... | 100.0 | 110.0 | 120.0 | 130.0 | 140.0 | 141.4 | 149.8 | 152.8 | 161.6 | 163.4 | 170.0 | 139.9 |
| Lacquering, varnishing, etc. (<i>narishi</i>).. | 100.0 | 100.0 | 127.8 | 137.1 | 144.4 | 147.3 | 145.3 | 177.8 | 168.4 | 166.7 | 172.2 | 144.3 |
| Tobacco cutters..... | 100.0 | 112.5 | 104.4 | 125.0 | 136.5 | 143.0 | 137.5 | 150.0 | 153.3 | 160.5 | .... | .... |
| Hands for brewing <i>sake</i> | 100.0 | 111.1 | 111.1 | 157.8 | 170.4 | 170.4 | 185.2 | 222.2 | 228.1 | 240.7 | 185.2 | 171.1 |
| Hands for brewing soy | 100.0 | 101.1 | 109.3 | 130.0 | 144.2 | 144.2 | 151.2 | 201.1 | 194.0 | 186.0 | 165.1 | 148.4 |
| Men servants..... | 100.0 | 106.0 | 116.0 | 134.0 | 158.0 | 162.0 | 164.0 | 172.0 | 170.0 | 164.0 | 150.0 | 145.1 |
| Average..... | 100.0 | 109.2 | 118.6 | 129.1 | 140.2 | 145.8 | 147.8 | 167.2 | 169.7 | 170.6 | 170.2 | 143.0 |

* Investigated by the Department of Finance.

TABLE VII.—RELATIVE PRICES OF LABOR IN TOKYO, 1893-1903^a

| Trade | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Carpenters..... | 100.0 | 100.0 | 108.4 | 120.0 | 133.4 | 148.4 | 153.8 | 162.6 | 166.6 | 165.0 | 170.0 |
| Plasterers (<i>sakan</i>)..... | 100.0 | 106.4 | 108.9 | 112.4 | 128.0 | 148.5 | 140.0 | 161.8 | 164.2 | 159.1 | 161.5 |
| Masons..... | 100.0 | 100.0 | 103.8 | 107.7 | 76.9 | 113.1 | 116.2 | 135.4 | 153.8 | 188.5 | 182.8 |
| Sawyers..... | 100.0 | 90.0 | 90.0 | 110.0 | 96.0 | 113.0 | 130.0 | 130.0 | 165.0 | 160.0 | 160.0 |
| Roofers..... | 100.0 | 100.0 | 107.6 | 107.6 | 139.5 | 144.0 | 145.5 | 154.5 | 154.5 | 172.7 | 172.7 |
| Tilers..... | 100.0 | 114.6 | 123.1 | 119.8 | 139.0 | 157.9 | 156.3 | 156.3 | 155.2 | 127.7 | 147.5 |
| Mat makers..... | 100.0 | 101.3 | 101.5 | 109.7 | 116.7 | 122.5 | 121.3 | 102.2 | 100.0 | 95.8 | 95.8 |
| Cabinet makers..... | 100.0 | 104.2 | 111.6 | 120.0 | 130.0 | 140.0 | 170.0 | 170.0 | 170.0 | 170.0 | 150.0 |
| Joiners..... | 100.0 | 137.5 | 150.0 | 162.5 | 162.5 | 150.0 | 162.5 | 189.5 | 184.5 | 184.5 | 177.0 |
| Tailors (Japanese)..... | 100.0 | 122.2 | 122.2 | 122.2 | 161.1 | 132.0 | 129.5 | 137.3 | 141.4 | 150.0 | 145.3 |
| Smiths..... | 100.0 | 103.1 | 106.2 | 100.0 | 96.2 | 80.0 | 90.8 | 100.9 | 96.3 | 92.0 | 94.3 |
| Lacquers..... | 100.0 | 100.0 | 127.8 | 137.1 | 144.4 | 147.3 | 145.3 | 177.8 | 168.4 | 166.7 | 172.2 |
| Hands for soy brewing..... | 100.0 | 112.0 | 144.0 | 176.1 | 200.0 | 240.0 | 240.0 | 182.0 | 177.3 | 156.0 | 144.0 |
| Hands for oil pressing..... | 100.0 | 100.0 | 97.6 | 127.8 | 136.1 | 146.3 | 146.3 | 153.7 | 150.0 | 146.3 | 160.5 |
| Repairers of old cotton (<i>wat- auchi</i>)..... | 100.0 | 101.2 | 104.5 | 111.9 | 129.9 | 154.5 | 161.1 | 204.5 | 215.1 | 195.0 | 195.0 |
| Tobacco cutters..... | 100.0 | 100.0 | 150.0 | 150.0 | 133.3 | 170.0 | 200.0 | 266.7 | 300.0 | 316.7 | 300.0 |
| Printers..... | 100.0 | 99.1 | 103.8 | 132.1 | 103.8 | 120.4 | 122.6 | 122.6 | 119.4 | 99.6 | 108.5 |
| Shipwrights..... | 100.0 | 100.0 | 112.5 | 119.8 | 135.4 | 153.1 | 145.6 | 170.8 | 170.8 | 170.8 | 170.8 |
| Gardeners..... | 100.0 | 100.0 | 114.3 | 114.3 | 114.3 | 132.9 | 137.1 | 175.7 | 171.4 | 175.2 | 175.1 |
| Paper-mill hands..... | 100.0 | 97.7 | 97.7 | 136.7 | 136.7 | 162.5 | ..... | 175.8 | 156.3 | 156.3 | 154.3 |
| Casters..... | 100.0 | 133.9 | 133.9 | 103.6 | 104.5 | 96.4 | 100.0 | 102.7 | 94.3 | 105.4 | 106.3 |
| Firemen (<i>obishaku</i>)..... | 100.0 | 121.4 | 142.9 | 150.0 | 136.9 | 128.6 | 128.6 | 142.9 | 157.1 | 157.1 | 157.1 |
| Navvies (<i>dokata</i>)..... | 100.0 | 141.7 | 166.7 | 175.0 | 159.7 | 150.0 | 150.0 | 166.7 | 183.3 | 183.3 | 183.3 |
| Laborers (<i>hiramnsoku</i>)..... | 100.0 | 133.9 | 160.7 | 165.4 | 153.2 | 142.9 | 148.9 | 160.7 | 178.6 | 175.7 | 178.6 |
| Average..... | 100.0 | 108.3 | 121.7 | 126.7 | 133.3 | 143.9 | 148.4 | 155.6 | 162.6 | 160.2 | 160.5 |

^a Investigated by the Bank of Japan.

TABLE VIII—RELATIVE PRICES OF LABOR IN OSAKA, 1893-1903^a

| Trade | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 | Average |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Carpenters..... | 100.0 | 100.0 | 125.0 | 171.9 | 187.5 | 174.4 | 203.1 | 203.1 | 213.4 | 226.6 | 226.6 | 175.6 |
| Sawyers..... | 100.0 | 112.0 | 114.3 | 126.3 | 130.9 | 142.9 | 145.1 | 157.1 | 157.1 | 157.1 | 157.1 | 136.4 |
| Plasterers (<i>sakan</i>).... | 100.0 | 102.4 | 120.5 | 143.4 | 166.1 | 155.3 | 158.9 | 165.5 | 167.3 | 190.8 | 201.5 | 152.0 |
| Tilers..... | 100.0 | 137.5 | 175.0 | 175.0 | 225.0 | 212.5 | 220.8 | 218.8 | 206.3 | 206.3 | 225.0 | 191.1 |
| Casters..... | 100.0 | 100.0 | 106.3 | 117.8 | 134.5 | 125.0 | 125.0 | 125.0 | 118.8 | 125.0 | 150.0 | 120.7 |
| Roofers..... | 100.0 | 100.0 | 124.1 | 173.8 | 186.2 | 193.1 | 206.9 | 215.5 | 211.4 | 215.5 | 241.4 | 178.9 |
| Shipwrights..... | 100.0 | 114.5 | 127.4 | 168.1 | 181.4 | 176.0 | 189.3 | 205.0 | 191.8 | 202.5 | 220.8 | 170.6 |
| Repairers of old cotton (<i>watauchi</i>).... | 100.0 | 105.4 | 106.5 | 124.4 | 138.6 | 131.5 | 142.0 | 142.0 | 137.2 | 149.1 | 132.1 | 128.1 |
| Paperhangers..... | 100.0 | 140.0 | 176.8 | 144.0 | 210.0 | 253.2 | 273.2 | 266.8 | 261.6 | 253.2 | 260.0 | 112.6 |
| Printers..... | 100.0 | 148.0 | 140.0 | 140.0 | 156.8 | 172.0 | 170.0 | 180.0 | 165.2 | 180.0 | 200.0 | 159.3 |
| Mat makers..... | 100.0 | 118.2 | 118.2 | 120.2 | 120.2 | 78.2 | 79.4 | 100.8 | 101.6 | 115.9 | 110.9 | 96.7 |
| Navvies..... | 100.0 | 100.0 | 120.7 | 124.1 | 138.0 | 121.7 | 138.0 | 138.0 | 138.0 | 142.4 | 186.9 | 131.6 |
| Firemen (<i>lobishoku</i>).... | 100.0 | 116.7 | 133.3 | 166.7 | 191.7 | 233.3 | 222.0 | 241.7 | 233.3 | 233.3 | 233.3 | 190.4 |
| Laborers (<i>hirainisoku</i>) | 100.0 | 100.0 | 128.0 | 128.0 | 180.0 | 190.0 | 160.0 | 190.0 | 180.0 | 180.0 | 180.0 | 156.0 |
| Lacquers, varnishers, etc..... | 100.0 | 100.0 | 140.0 | 140.0 | 180.0 | 180.0 | 203.2 | 210.0 | 201.6 | 196.8 | 190.0 | 167.4 |
| Dyers..... | 100.0 | 100.0 | 120.0 | 140.0 | 150.0 | 190.0 | 185.2 | 182.0 | 162.4 | 169.6 | 175.0 | 152.2 |
| Bricklayers..... | 100.0 | 105.6 | 113.0 | 143.3 | 162.5 | 183.3 | 208.3 | 185.0 | 216.1 | 204.4 | 210.0 | 166.6 |
| Hands for oil pressing | 100.0 | 102.2 | 115.6 | 133.3 | 162.2 | 146.2 | 126.7 | 136.9 | 157.3 | 147.1 | 150.2 | 134.3 |
| Tobacco cutters..... | 100.0 | 118.4 | 118.4 | 144.7 | 157.9 | 157.8 | 138.2 | 144.7 | 184.2 | 206.6 | .... | .... |
| Clogmakers..... | 100.0 | 103.3 | 112.5 | 125.0 | 162.5 | 162.5 | 162.5 | 162.5 | 160.5 | 151.0 | 156.3 | 141.7 |
| Shoemakers..... | 100.0 | 98.4 | 114.8 | 131.1 | 150.1 | 163.3 | 169.5 | 177.0 | 180.3 | 180.3 | 188.5 | 150.3 |
| Smiths..... | 100.0 | 100.0 | 120.0 | 130.0 | 150.0 | 146.6 | 150.0 | 145.0 | 130.0 | 130.0 | 158.4 | 132.7 |
| Gardeners..... | 100.0 | 110.0 | 122.8 | 149.0 | 160.2 | 186.5 | 192.3 | 192.3 | 204.5 | 192.3 | 208.4 | 165.3 |
| Joiners..... | 100.0 | 125.0 | 125.0 | 125.0 | 150.0 | 143.8 | 137.5 | 162.5 | 150.0 | 150.0 | 150.0 | 138.1 |
| Tailors (Japanese).... | 100.0 | 100.0 | 137.6 | 162.6 | 175.0 | 175.0 | 131.6 | 120.5 | 107.4 | 106.8 | 111.8 | 129.8 |
| Tailors (foreign).... | 100.0 | 237.0 | 370.4 | 237.0 | 237.0 | 268.5 | 240.7 | 308.7 | 359.3 | 219.3 | 324.1 | 254.7 |

^a Investigated by the Department of Finance.

| | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Confectioners..... | 100.0 | 100.0 | 106.7 | 113.3 | 146.6 | 152.0 | 206.0 | 166.7 | 200.0 | 233.3 | 147.7 |
| Cabinet makers..... | 100.0 | 122.2 | 157.3 | 192.6 | 127.8 | 105.6 | 133.3 | 133.3 | 133.3 | 133.3 | 136.8 |
| Wheelmakers..... | 100.0 | 133.3 | 175.0 | 202.7 | 121.0 | 164.0 | 187.7 | 134.3 | 129.0 | 144.3 | 153.5 |
| Hands for brewing sake..... | 100.0 | 100.0 | 111.2 | 124.8 | 261.8 | 315.8 | 432.6 | 284.3 | 329.2 | 427.0 | 243.0 |
| Tinworkers..... | 100.0 | 125.0 | 175.0 | 150.0 | 219.0 | 187.5 | 231.5 | 224.0 | 231.5 | 254.0 | 188.4 |
| Masons..... | 100.0 | 114.0 | 130.0 | 130.0 | 170.0 | 170.0 | 179.2 | 170.5 | 170.0 | 170.0 | 150.9 |
| Embroiders..... | 100.0 | 100.0 | 116.7 | 116.7 | 132.0 | 133.3 | 136.0 | 152.7 | 168.0 | 171.0 | 129.7 |
| Barbers..... | 100.0 | 119.8 | 149.3 | 149.3 | 167.9 | 130.6 | 121.3 | 130.6 | 129.0 | 124.3 | 132.5 |
| Rice cleaners..... | 100.0 | 110.5 | 139.8 | 159.7 | 215.2 | 203.7 | 238.2 | 237.2 | 236.6 | 246.6 | 190.3 |
| Bag, casket makers.. | 100.0 | 91.7 | 91.7 | 113.5 | 134.8 | 136.9 | 136.9 | 130.2 | 140.4 | 136.9 | 123.0 |
| Engravers..... | 100.0 | 100.0 | 100.0 | 100.0 | 140.0 | 130.0 | 160.0 | 160.0 | 160.0 | 170.0 | 131.8 |
| Binders, book (middle grade of a class)... | 100.0 | 100.0 | 107.4 | 107.4 | 130.9 | 149.8 | 195.9 | 149.8 | 174.6 | 203.7 | 140.2 |
| Bag makers..... | 100.0 | 79.9 | 98.3 | 104.7 | 104.7 | 121.8 | 105.0 | 121.8 | 128.5 | 178.8 | 112.1 |
| Harness makers..... | 100.0 | 100.0 | 133.3 | 133.3 | 166.7 | 166.7 | 166.7 | 166.7 | 183.3 | 191.7 | 152.3 |
| Painters..... | 100.0 | 114.8 | 134.1 | 157.4 | 252.9 | 248.5 | 277.8 | 267.8 | 245.2 | 260.7 | 204.4 |
| Men servants..... | 100.0 | 100.0 | 134.0 | 134.0 | 134.0 | 134.0 | 150.0 | 216.0 | 222.0 | 266.0 | 156.7 |
| Women servants..... | 100.0 | 106.5 | 125.8 | 125.8 | 161.3 | 167.7 | 161.3 | 267.7 | 241.9 | 296.8 | 174.2 |
| Average..... | 100.0 | 111.9 | 133.3 | 141.7 | 161.6 | 169.4 | 183.6 | 179.3 | 182.3 | 199.0 | 154.8 |

TABLE IX.—RELATIVE PRICES OF NECESSARIES IN TOKYO, 1893-1903

| | 1893 | 1894 | 1895 | 1896 | 1897 | 1898 | 1899 | 1900 | 1901 | 1902 | 1903 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Refined rice..... | 100.0 | 119.8 | 120.4 | 133.6 | 162.4 | 200.7 | 136.1 | 162.3 | 166.6 | 171.6 | 177.3 |
| Wheat..... | 100.0 | 97.7 | 93.8 | 103.6 | 146.3 | 146.9 | 131.9 | 131.3 | 127.9 | 128.6 | 148.2 |
| Bean paste..... | 100.0 | 119.3 | 103.5 | 131.2 | 136.7 | 178.9 | 171.9 | 167.9 | 144.5 | 144.3 | 171.7 |
| Soy..... | 100.0 | 98.8 | 97.4 | 106.5 | 137.8 | 115.2 | 121.1 | 130.9 | 128.3 | 115.5 | 118.4 |
| Pickles..... | 100.0 | 94.3 | 88.0 | 144.0 | 162.7 | 208.4 | 185.3 | 167.2 | 100.9 | 176.3 | 122.1 |
| Salt..... | 100.0 | 96.4 | 109.5 | 193.4 | 275.9 | 217.9 | 184.0 | 222.3 | 190.5 | 188.7 | 225.2 |
| Refined tea..... | 100.0 | 104.3 | 104.7 | 96.1 | 106.7 | 115.8 | 115.0 | 119.5 | 104.5 | 106.0 | 113.2 |
| <i>Seishu</i> (refined sake)..... | 100.0 | 107.3 | 118.9 | 140.8 | 165.7 | 191.2 | 212.4 | 239.0 | 204.7 | 254.4 | 263.4 |
| Sugar..... | 100.0 | 97.9 | 89.2 | 100.3 | 115.1 | 109.4 | 114.2 | 118.3 | 125.3 | 94.7 | 113.5 |
| Cotton wadding..... | 100.0 | 100.0 | 100.0 | 118.7 | 126.4 | 123.1 | 128.1 | 154.0 | 157.6 | 145.5 | 147.0 |
| Shirting..... | 100.0 | 115.8 | 109.3 | 109.6 | 114.1 | 116.7 | 127.7 | 142.5 | 148.5 | 144.9 | 143.3 |
| Cotton (<i>momen</i>)..... | 100.0 | 102.0 | 107.0 | 116.3 | 118.1 | 111.7 | 109.9 | 128.6 | 128.6 | 122.4 | 116.0 |
| Matting..... | 100.0 | 90.6 | 103.7 | 120.9 | 112.7 | 110.2 | 127.9 | 146.7 | 155.7 | 101.8 | 115.6 |
| Firewood..... | 100.0 | 100.8 | 116.3 | 127.0 | 144.8 | 149.0 | 155.2 | 179.2 | 166.1 | 174.2 | 169.3 |
| Charcoal..... | 100.0 | 95.7 | 108.5 | 131.6 | 147.9 | 137.2 | 152.1 | 181.6 | 183.2 | 181.6 | 169.2 |
| Kerosene..... | 100.0 | 105.3 | 131.0 | 134.0 | 125.2 | 123.4 | 152.3 | 180.3 | 161.4 | 157.0 | 177.9 |
| Average..... | 100.0 | 101.2 | 106.3 | 125.5 | 143.7 | 147.2 | 140.3 | 160.7 | 152.5 | 153.0 | 155.7 |
| Price of labor..... | 100.0 | 109.2 | 118.6 | 129.1 | 140.2 | 145.8 | 147.8 | 176.2 | 169.7 | 170.6 | 170.2 |

TABLE X.—TAXATION, 1893-1903^a

| Year | Taxes | | | | | | Percentage of increase of tax per capita |
|------|-------------------|--------------------------|-----------------------------|-------------------|------------------------------|-------------------------|--|
| | State | Prefectural (fu and ken) | Municipal, town and village | Total | Percentage in total increase | Population ^b | |
| 1893 | Yen 70,004,763 | Yen 16,710,884 | Yen 1,627,288 | Yen 88,342,935 | 100.0 | 41,388,313 | 100.0 |
| 1894 | 71,286,579 | 17,146,864 | 1,902,271 | 90,335,714 | 102.3 | 41,813,215 | 101.2 |
| 1895 | 74,697,623 | 18,024,523 | 2,249,246 | 94,971,392 | 107.5 | 42,270,620 | 105.2 |
| 1896 | 76,387,561 | 22,934,974 | 2,675,785 | 101,998,320 | 115.5 | 42,708,264 | 111.9 |
| 1897 | 95,204,991 | 24,809,484 | 3,480,535 | 123,495,010 | 139.8 | 43,238,863 | 133.8 |
| 1898 | 102,775,449 | 31,452,473 | 4,649,917 | 138,877,889 | 157.2 | 43,763,855 | 148.6 |
| 1899 | 133,594,075 | 37,057,018 | 6,291,000 | 176,942,093 | 200.3 | 44,270,495 | 187.2 |
| 1900 | 141,170,254 | 39,806,190 | 9,932,782 | 190,909,226 | 216.1 | 44,825,597 | 199.5 |
| 1901 | 150,441,508 | 43,714,302 | 11,273,221 | 205,429,031 | 232.5 | 45,446,369 | 211.7 |
| 1902 | 163,452,518 | 47,174,975 | 11,736,448 | 222,363,941 | 251.7 | 46,041,768 | 226.2 |
| 1903 | 161,061,654 | 44,970,426 | 12,126,668 | 218,158,748 | 247.0 | 46,732,876 | 218.6 |

^a State taxes refer to national taxes as well as profit from the business of the government monopoly bureau, while prefectural, town and village taxes refer to additional taxes raised, together with state taxes, and also special taxes raised for these local communities. Population means the number of permanent residents at the end of each year.

^b At close of year.

TABLE XI (1).—POPULATION IN TOWNS AND VILLAGES, 1893-1908^a

| Year | Cities | | Towns and villages | | Total population of Japan | |
|-----------|------------|------------|--------------------|------------|---------------------------|------------|
| | Population | Percentage | Population | Percentage | Population | Percentage |
| | 1893..... | 4,634,648 | 100.0 | 37,426,328 | 100.0 | 42,060,976 | 100.0 |
| 1894..... | 4,764,749 | 102.8 | 37,666,236 | 100.6 | 42,430,985 | 101.0 |
| 1895..... | 4,891,919 | 105.6 | 38,156,307 | 102.0 | 43,048,226 | 102.3 |
| 1896..... | 4,995,845 | 107.8 | 38,503,988 | 102.9 | 43,499,833 | 103.2 |
| 1897..... | 5,350,908 | 115.5 | 38,627,587 | 103.2 | 43,978,495 | 104.4 |
| 1898..... | 5,703,366 | 123.1 | 39,699,675 | 106.1 | 45,403,041 | 105.9 |
| 1903..... | 6,901,253 | 148.9 | 41,641,483 | 111.3 | 48,542,736 | 113.0 |
| 1908..... | 8,229,947 | 177.6 | 43,511,906 | 116.3 | 51,741,853 | 130.7 |

^a Prepared by the Bureau of Statistics of the Cabinet.

TABLE XI (2).—POPULATION IN TOWNS AND VILLAGES, 1893-1900 ^a

| Year | Cities | | Towns and villages | | | | | | Grand total | | Percentage of total population | |
|-----------|------------|-------------|--------------------|-------------|--------------|-------------|------------|-------------|-------------|-------------|--------------------------------|--------------------|
| | Population | Per-centage | Over 10,000 | | Under 10,000 | | Total | | Population | Per-centage | Cities | Towns and villages |
| | | | Population | Per-centage | Population | Per-centage | Population | Per-centage | | | | |
| | | | | | | | | | | | | |
| 1893..... | 4,634,648 | 100.0 | 2,082,186 | 100.0 | 35,344,142 | 100.0 | 37,426,328 | 100.0 | 42,060,976 | 100.0 | 11 | 89 |
| 1894..... | 4,764,740 | 102.8 | 2,187,490 | 105.1 | 35,278,737 | 100.4 | 37,466,226 | 100.6 | 42,430,985 | 101.0 | 11 | 89 |
| 1895..... | 4,801,910 | 105.6 | 2,267,097 | 108.0 | 35,888,400 | 101.5 | 38,156,497 | 102.0 | 43,048,259 | 102.3 | 11 | 89 |
| 1896..... | 4,995,845 | 107.8 | 2,354,976 | 113.1 | 36,149,012 | 102.3 | 38,503,988 | 102.9 | 43,499,833 | 103.2 | 11 | 89 |
| 1897..... | 5,389,968 | 115.5 | 2,471,855 | 109.1 | 36,355,732 | 102.9 | 38,827,587 | 103.2 | 43,978,495 | 104.4 | 12 | 88 |
| 1898..... | 5,793,366 | 123.1 | 2,397,825 | 115.2 | 37,301,850 | 105.5 | 39,699,675 | 106.1 | 45,403,041 | 105.9 | 13 | 87 |
| 1899..... | 6,901,253 | 148.9 | 3,091,196 | 148.5 | 38,350,287 | 109.1 | 41,041,483 | 111.3 | 48,542,730 | 113.0 | 14 | 86 |
| 1900..... | 8,229,947 | 177.6 | 4,668,634 | 224.2 | 38,843,272 | 109.9 | 43,511,906 | 116.3 | 51,741,853 | 130.7 | 16 | 84 |

^a Prepared by the Bureau of Statistics of the Cabinet.

CHAPTER IX

CONCLUSION

The Sino-Japanese War was begun on July 25, 1894, and on April 17 of the next year a treaty of peace was concluded. We have discussed in the foregoing chapters the effects of the war, especially as to expenditure and economic phases in general. It is not necessary to add more. Yet, on reflection, we note two or three points which may be especially dwelt upon in generalizing upon the phenomena which have here been presented—in particular the age-long weakness of China as exposed by this war and the awakening of Japan which followed the conflict.

Prior to the Sino-Japanese War, the various nations of the world had regarded China as a powerful nation and one not to be held in contempt. There was a general belief in her fighting strength, and because she had the Manchurian cavalry on land and the Peiyang fleet at sea at the beginning of the war, they thought Japan would certainly be defeated. But after the commencement of hostilities, China suffered one defeat after another, and the dignity of that great Empire of forty centuries was completely lost. The "sleeping lion" at last became the "lion that does not awaken." What a tragic state of affairs! Thereafter, the "lion that does not awaken," with her mild climate, rich natural resources, and dense population, became the center of attraction for the world. There followed, in quick succession, the acquisition of important concessions—Kiaochow Bay by Germany (March 6, 1898), Port Arthur and Dairen by Russia (March 27, 1898), Weihaiwei and Kow-loon extension by England (June 1 and 6, 1898, respectively), and Kwangchow by France (November 16, 1899). The acquisition of a concession by one nation became the excuse for another nation to demand one also, and the latter an excuse for more demands on the part of the first. The European Powers were not satisfied

with the mere establishment of a concession, but concluded treaties for the nonalienation of territory, thereby establishing so-called "spheres of influence." At last came the declaration by America, in 1899, of the principle of the "open door" and "equality of opportunity" in China. The principle of the balance of power in Europe brought about a new situation in the Orient. This was a by-product of the Sino-Japanese War. Japan had to face this new situation, besides undertaking various post-bellum enterprises. The consequences of the Sino-Japanese War were indeed serious.

Now Japan began to realize her national strength, and in view of the changed conditions in the Orient after the war, planned the development of the national forces by starting various ambitious undertakings quietly and with united efforts. As a result, (1) expenditures increased, and (2) consequently the taxes of the people increased, (3) the currency was inflated, owing to the various government post-bellum undertakings and the initiation of private enterprises, and (4) the prices of commodities rose suddenly. These were the noteworthy features. We shall show below the changed percentages as calculated on the basis of the year 1887—the next year after the resumption of converting notes into specie.

By the following table, we may ascertain the various changes which took place from 1887 to 1903. With 1894–1895 as the limit, we notice especially that there have been extraordinary changes in all the various items except population. Before the war, the fluctuation was generally very slight, but since the war there have been extraordinary fluctuations. This was the result of the people's changed conceptions of Japan's position in the Orient, which materialized in the ambitious post-bellum enterprises heretofore described. We consider these changes as a sign of extraordinary development.

Thus after the war the phenomena of social life completely changed from ante-war times. Society assumed an entirely new aspect, as if completely revolutionized. In other words,

FISCAL STATISTICS IN ANNUAL PERCENTAGES, 1887-1905 ^a

| Year | Expenditure | Tax revenue | Currency in circulation ^a | Average price of commodities | Increase in population ^b |
|-----------------------|-------------|-------------|--------------------------------------|------------------------------|-------------------------------------|
| 1887.... | 100.0 | 100.0 | 100.8 | 102.1 | 100.0 |
| 1888.... | 102.6 | 97.7 | 105.2 | 107.9 | 101.4 |
| 1889.... | 100.3 | 107.6 | 111.0 | 111.7 | 102.5 |
| 1890.... | 103.4 | 99.2 | 103.4 | 114.4 | 103.5 |
| 1891.... | 105.2 | 97.2 | 106.2 | 110.4 | 104.3 |
| 1892.... | 96.6 | 101.4 | 109.2 | 114.6 | 105.2 |
| 1893.... | 106.5 | 105.7 | 120.1 | 118.1 | 105.9 |
| 1894 ^c ... | 98.3 | 107.6 | 124.8 | 127.2 | 107.0 |
| 1895 ^d ... | 107.4 | 112.7 | 142.0 | 134.4 | 108.3 |
| 1896.... | 212.5 | 115.9 | 151.3 | 145.1 | 109.3 |
| 1897.... | 281.5 | 143.7 | 166.4 | 163.1 | 110.6 |
| 1898.... | 276.6 | 155.1 | 143.8 | 171.1 | 112.1 |
| 1899.... | 319.9 | 201.6 | 169.6 | 170.9 | 112.8 |
| 1900.... | 368.5 | 213.1 | 160.2 | 182.8 | 114.4 |
| 1901.... | 335.9 | 227.1 | 154.5 | 174.5 | 116.3 |
| 1902.... | 364.0 | 246.7 | 164.5 | 170.6 | 117.9 |
| 1903.... | 314.1 | 243.1 | 166.8 | 182.8 | 119.7 |
| 1904 ^e ... | 758.2 | 530.7 | 256.1 | 233.0 | 125.0 |
| 1905 ^f ... | 736.8 | 581.8 | 306.3 | 232.1 | 131.7 |

^a The percentage of the expenditure means the total amount of expenditure (net amount); the percentage of revenue from taxes means the revenue from taxes and the revenue from the profits of the monopoly bureaus. The percentage of currency was based upon the standard at the end of 1886, the percentage of prices of commodities on the average wholesale prices of forty of the principal kinds of merchandise sold in Tokyo in January, 1877, and the percentage of population means the population as registered at the appointed places of registry.

^b At close of year.

^c Ending of Sino-Japanese War.

^d Ending of Russo-Japanese War.

^e Beginning of Sino-Japanese War.

^f Beginning of Russo-Japanese War.

the Sino-Japanese War marked a new period, in which the aggressive spirit of the nation so notably shown in the period of the Restoration of Meiji had taken on new life after twenty-five years of quiet, and was now to replenish the national forces at home and develop her credit abroad. Furthermore, the remarkable development of the nation within so short a period was largely due to the spirit of enterprise shown soon after the close of the war. So the effects of the war as presented in the foregoing chapters really embody the history of Japan's economic development after the Sino-Japanese War.

What we regret is the fact that the policy of the Japanese Government was not more carefully considered, since it was on account of the extreme haste to meet the new situation that the currency was inflated, the burdens of taxation were

extraordinarily increased, and the prices of goods went up; consequently, while the income of the people generally increased in due proportion, the government undertakings did not fully meet the need of improving the living conditions of the people. Fortunately, however, the people generally showed a sincere devotion to the country and were not seriously indignant because their living conditions did not improve *pari passu* with the financial and economic development of the nation. No serious social or political problems arose at this time. This fact should be set forth in bold-faced type in discussing the economic effects of the war.

In short, the economic development after the Sino-Japanese War was in general so extraordinary that the phenomena which attracted attention before the war were no longer noticeable. But under all this apparent prosperity there was running a dangerous undercurrent, viz., the aforementioned rise in the prices of commodities, the inflation of the currency, and the extraordinary increase in the government's revenues and expenditures as well as in taxes. Thus we must not forget that the effects of the war upon the economic world had a dark as well as a bright side. The bright side shone as the people endeavored to utilize wisely the effects of the war in meeting the new situation. The dark side was inevitable from the passing condition of our economic world, the evils resulting from the period of inconvertible notes, which had just been tided over, having reasserted themselves as a by-product of the post-bellum upheaval of economics. That the war was the cause of all this cannot be denied. But the nature of our economic world and the economic policies pursued in Japan were, needless to reiterate, still more responsible for such a state of things. The Sino-Japanese War was, indeed, a test of our national strength and resulted in the self-realization and awakening of the nation, thereby bringing in its train a notable economic development. But there have been many examples in history of the downfall of mighty empires even while enjoying great prosperity, such as Alexander the Great, the Roman Empire, etc. Indeed,

war is not a true cause of national greatness, nor victory in war a sure means of bringing about such greatness. On the contrary, there must be an irresistible rise in nationalism to wage a victorious war, which will prove only the first step in the advancement toward an ideal goal. The Sino-Japanese War was no more, no less than that, and it is far from our desire to extol the material and moral effects of war.

INDEX

- Administration: increase of expenditures for, 43, 102-3; general expenditures for (1893-1903), 144.
- Agriculture: prohibition of resale of Japanese products of, in Kankyodo, 16; progress in, 89; Bank of Agriculture and Industry, 90, 94, 107, 175, 178 *et seq.*, 193; expenditures to encourage, 139; experimental stations, 273; capital invested in (1896-1903), 277.
- Amoy, 188.
- Anshantan, captured by Japanese, 31.
- Antung, Chinese evacuation of, 26.
- Aomori, 106.
- Army: organization of, corps, 25-6; size of, 35; rehabilitation of, 89-90, 94 *et seq.*; four year expansion scheme (1895-1899), 97 *et seq.*; expenditures for (1893-1903), 99-100; extraordinary expansion expenditures for (1896-1903), 101; use of Chinese indemnity for expenditures for, 120.
- Asan, 19, 21-2.
- Bakeuchu, 13.
- Bank notes: 51; issued by Bank of Japan (1894-1896), 55, 166, 286; issued to meet extra expenditures, 56; increased circulation of, 154; redemption of national, 162, 167, 191-2; guarantee reserve issues of, 166, 168 *et seq.*, 200; issued by Bank of Formosa, 186-7; issuance of national, 189-90; issued (1893-1899), with increase or decrease, 197-8.
- Bank of Japan: 72, 82, 152, 155, 161, 193; loans to government by, 51, 59 *et seq.*, 73, 75, 83, 158, 199; war expenses met by note issue of (1894-1896), 55, 166, 286; redemption of loans of, 76; enlarged business of, 90, 156, 175; deposit of Chinese indemnity funds in, 122; purchase of bonds by, 125; increased capitalization of, 176.
- Banks: Hypothec and Industrial, 83, 90, 94, 175, 178 *et seq.*, 274; national banks, changed to ordinary, 83, 189-90, 193; of Agriculture and Industry, 90, 94, 107, 120, 274; subsidies to, 90, 103, 107, 120, 179, 182; bonds issued by, 156; regulations concerning issue of bank notes by, 161; reorganization of, 175 *et seq.*, 193-4; development of realty, 178 *et seq.*; deposits and loans of (1893-1903), 195; capital, deposits, profits and dividends of (1893-1903), 207. *See also under individual headings.*
- Banks of Agriculture and Industry: subsidies to, 90, 107, 120, 179; establishment of, 94, 175; business of, 178 *et seq.* (1897-1903), 204-5, 274; reorganization of, 193-4; loans by (1894-1903), 202, 274.
- Bellenue, French missionary, 9.
- Ben, Li Sai, Korean Progressive leader, 12.
- Bokueiko, Korean Progressive leader, 14.
- Bokukeiju, revolt of, 10.
- Boxer Rebellion, 132.
- Budget: of revenue and expenditures, 47-8, (1893-1913), 87-8; for army and navy, 57, 87-8; for expenditures after 1896, 90; for 1899, 131.
- Business tax, 90, 129.
- Chaimucheng, battle at, 27.
- Chang, Li Hung, 12-3, 15; peace representative of China, 33.
- Chemulpo: 15, 21, 23; opened to trade, 12-3; Treaty of, 13-4.
- Chihli, Province of, 31-2, 57.
- Cholla, Province of, revolutionary movements in, 17.
- Chung-Chong, Province of, revolutionary movements in, 17.
- Chungking, opened to commerce, 33, 232.
- Cities, towns and villages: increase in annual expenditures for (1893-1903), 138; ratio of increase of expenditures for 1904 over 1895, 139; expansion of expenditures for, 142; population of, 300-1, (1893-1903), 318-9; increase in population of (1887-1905), in annual percentages, 322.
- Coal, rise in price of, 285.
- Colonial Bank of Hokkaido: business of, 175-6, 178 *et seq.*; reorganization of, 193-4.
- Communications Office, expenditures for (1894-1905), 36, 43, 46.
- Conservative party, in Korea, 12 *et seq.*

- Currency: expended for war expenses (1894-1896), 57; scarcity of, 81, 83; inflation of, 84-5, 154, 196; reform of, system, 118, 161, 165, 232, 235; increased volume of, 288; in circulation, in annual percentages (1887-1905), 322.
- Customs, revenue from (1889-1908), 291.
- Disbursements, monthly (1894-1896), 59; for government and private railways (1893-1903), 266, 268.
- Education: improvements in system of, 84, 89, 94, 112; use of indemnity funds to promote, 132; expenditures for, 138-9, (1893-1903), 151.
- Enterprises: comparison of expenditures for post-bellum, with total annual expenditures (1894-1903), 91 *et seq.*; revenue for post-bellum, (1896-1903), 92; revenue for (1895-1905), 150; expenditures for (1895-1905), 141, 150; development of, 226.
- Exchange, rates of, in London, Paris and Berlin (1886-1895), 163.
- Factories, number of, and capital invested in (1893-1903), 212-3.
- Factory hands: number of (1893-1903), 211 *et seq.*, (1896-1903), 218; percentage of, to total population (1896-1903), 220; percentage of adult and minor, to total number of (1896-1903), 221; comparison of number of adult male to female (1896-1903), 222.
- Fenghuangcheng, 25; Chinese evacuation of, 27.
- Foreign Office: expenditures for (1894-1903), 36, (1894-1895), 43-4.
- Formosa: 6; Japanese expedition to, 11; ceded to Japan, 33, 224, 229; fighting in, 35; Bank of, 94, 175, 185 *et seq.*, 194, 206; expenses incurred in, 103, 109 *et seq.*; railways of, 111, 261; loans for development of, 115-6; expenditures for (1895-1903), 146 *et seq.*; production of sugar in, 229; trade of, with Japan (1897-1903), 230; passengers, freight, income, etc. of railways of (1897-1903), 269.
- Fortresses, expenditures for construction of, 98-9.
- Foundary, iron: establishment of, 89, 94, 96, 273; expenditures for construction of, 103-4; use of indemnity funds for construction of, 120.
- France: occupation of Kwangchow by, 7, 34, 320; interference of, in Liaotung Peninsula, 33-4; tariff agreement with, 233, 290.
- Fukushima, 106.
- Fusan: 9-10, 22-3; opened to trade, 13.
- Germany: acquisition of Kiaochow Bay by, 7, 34, 320; invitation to, to occupy Korean territory, 12; interference of, in Liaotung Peninsula, 33-4; monetary system of, 162; tariff agreement with, 290.
- Goko, revolt of, 10.
- Gold standard: adoption of, 83, 123, 159, 163 *et seq.*, 225, 232-3, 286-7.
- Great Britain: occupation of Weihaiwei by, 7, 34, 320; invitation to, to occupy Korean territory, 12; interference of, in Liaotung Peninsula, 33-4; tariff agreement with, 233.
- Griffis, Dr. William Elliot, cited, 8.
- Hachioji, 105.
- Haicheng, 25, 27, 29, 31.
- Hanabusa, Yoshikata, Chargé d'Affaires at Seoul, 11, 13.
- Hangchow, opened to commerce, 33, 232.
- Heung-Sun, Prince, 9-10; Korean Conservative leader, 12-3.
- Hiroshima: 43; Imperial army headquarters at, 22, 50; telephone extension in, 264.
- Hokkaido: colonial development of, 90, 112; plan for railway construction in, 106, 258; bond issue for railway construction in, 114; Colonial Bank of, 175-6, 178 *et seq.*, 194.
- Home Office: expenditures for (1894-1903), 36, (1894-1898), 43-4.
- Hongkong, branch bank at, 188.
- Hooshan, Chinese defeat at, 26-7.
- Hori, Lieutenant, military instructor in Korea, 12.
- Huanglinchi, 30.
- Huayuankow, 27-8.
- Hypothec Bank: establishment of, 83, 90, 94, 175; business of, 178 *et seq.*, (1897-1903), 203; reorganization of, 193-4; advances made by (1898-1903), 274, (1897-1903), 276.
- Income tax: 131; returns from (1893-1903), 295 *et seq.*
- Indemnity: Chinese, to Japan, 12, 20, 33, 82, 119, 224, 286; transfer of, 57-8, 77-8, 116; use of, for army expenditures, 90, 120; revenue from, 96-7, 119-20.

- Industry: capital investment in (1896-1903), 209-10, 219, 240, 243; progress of, 211.
- Industrial Bank: 194; business of, 188-9, 206.
- Inouye, Kaoru, vice-minister of Japanese mission to Fusan, 10.
- Inouye, Ryoka, Lieutenant Commander, 10.
- Interest rates: in Osaka and Tokyo, 65; on loans by laws Numbers 8 and 25, 77; paid on bonds (1893-1903), 117.
- Isotake-no-Mikoto, 8.
- Itom, Prince, 15.
- "Japanism", 157-8.
- Jingo, Empress, expedition of, to Korea, 8.
- Judicial Office, expenditures for (1894-1903), 36, (1895), 43, 45.
- Kai, Yuan Shi, Chinese Minister, 13-4, 16-7.
- Kaidaichi, 106.
- Kaiping, 27, 29.
- Kanghwa Island Affair, 10.
- Kankyodo, 16.
- Kiaochow, German occupation of, 7, 34, 320.
- Kin, Kin Gyoku, Korean Progressive leader, 14; assassination of, 16.
- Kinchow-ching, capture of, 28-9.
- Kiuliencheng, 25; Chinese evacuation of, 26-7.
- Kiun, Kim Ok, Korean Progressive leader, 12.
- Kizuki (Izumo Province), 8.
- Kobe: extension of telephone service in, 106; encouragement to navigation from, 108.
- Komatsu, Prince, General, Chief of Japanese General Staff, 32.
- Konwasai, battle at, 27.
- Korai, overthrow of kingdom of, 4.
- Korea: population and area of, 3; Chinese and Japanese attitude toward, 4 *et seq.*; 11-2; Japanese expedition to, 8; trade with, 9, 12, 154, 237; independence of, 10, 14, 21; disturbance in, 13 *et seq.*, 35.
- Kure, 106.
- Kuroda, Kiyotaka, chief of Japanese Mission to Fusan, 10.
- Kwangchow Bay, leased to French, 7, 34, 320.
- Kyoto: 124; extension of telephone system in, 106, 264.
- Labor: prices of, in Tokyo and Osaka (1893-1903), 282, 292, 294; prices of in Tokyo (1873-1910), 293, 312-3; fluctuation of price of (1893-1903), 294; prices of, and commodities compared with cost of living, 298; price of, in Osaka (1893-1903), 314-5.
- Land tax, 130-1.
- Legations and Consulates: expenditures for (1894-1895), 44; increase of expenditures for, 89.
- Liaotung Peninsula: ceded to Japan, 33; retrocession of, 34, 78, 157-8; 168, 286; compensation for return of, 118.
- Liaoyang, 25, 27.
- Loans: public, 50, 54, 57-8; of Bank of Japan, 51, *et seq.*, 75, 83, 158, 199; details of "First", 61 *et seq.*; regulations for war, 64 *et seq.*; "Second", 66 *et seq.*; "Third", 68 *et seq.*; details of first three, 69 *et seq.*; receipts from war, 72; extraordinary special, 72-3; "Fourth", 74; based on laws Numbers 8 and 25, 75 *et seq.*; for railway and telephone improvement, 90, 114; for expenditures for Sino-Japanese War (1894-1910), 113; for industrial enterprises, 114 *et seq.*; for Formosan development, 115-6; sterling, 116; by Hypothec Bank and Banks of Agriculture and Industry, 181, 202; outstanding, of Hypothec Bank (1897-1903), 183; of Colonial Bank of Hokkaido, 185; of banks (1893-1903), 195.
- Loochoo, 6; as a Japanese possession, 10-1.
- Manchuria, fighting in, 35.
- Merchandise, value of, sold (1898-1903), 242.
- Merchant Marine: subsidies to, 254, 263, (1893-1903), 270 *et seq.*, progress of, 256, 262 *et seq.*
- Min, Prince, assassination of, 14.
- Miyake, Dr. Yūjiro, cited, 157.
- Monopolies: leaf tobacco, 90, 126; increased revenue from tobacco, 132, 137; workings of, 134 *et seq.*
- Motienling, 30.
- Nagasaki: 13, 16; subsidy for harbor improvement at, 262; telephone extension in, 264.
- Nagoya: 105; telephone extension in, 264.
- Naval Office: expenditures for (1894-1903), 36; extraordinary expenditures for (1894-1901), 40 *et seq.*
- Navigation, subsidies for, 103, 108-9.
- Navy: rehabilitation and expansion of, 89-90, 94 *et seq.*; seven year expansion scheme (1895-1903), 97 *et seq.*

- expenditures for (1893-1903), 99-100; extraordinary expansion expenditures for (1896-1903), 102; use of Chinese indemnity for, expansion funds, 120.
- Negotiable paper, handled (1893-1895), 225, (1893-1903), 239.
- Neuchang, 285; encouragement to navigation from, 108.
- Niuchwang, capture of, 30-1.
- Nodzu, Michitsura, Lieutenant-General, Commander-in-chief of Fifth Army Division, 23.
- Notes, government: issued, 160-1; redemption of, 189 *et seq.*; cleared (1893-1903), 241.
- Okuninushi-no-Mikoto, 8.
- "Open door" policy, 321.
- Opium War, 7.
- Osaka: 124; interest rates in, 65, 75; extension of telephone service in, 106; subsidy for harbor construction at, 262; prices of commodities and wages in (1893-1903), 282, 292, 294; wholesale prices in (1893-1903), 310; prices of labor in (1893-1903), 314-5.
- Oshima, Major-General, Japanese officer, 17.
- Otori, Japanese Minister at Seoul, 22.
- Ou, Hung Tiyong, Korean Progressive leader, 12.
- Oyama, General, Japanese commander-in-chief of Second Army Corps, 25.
- Panic: financial, 83, 174; of 1899 and 1901, 159, 283.
- Paper money in circulation (1893-1899), 171.
- Payment plan of war bonds, 65, 67-8.
- Peking, 9, 15; proposed attack upon, 32.
- Pescadores, occupation of, 31-2; ceded to Japan, 33, 229.
- Phung Island, battle at, 19, 21-2, 49.
- Ping-yang, campaign of, 21 *et seq.*
- Population: of towns and villages, 300-1, (1893-1903), 318-9; increase of (1887-1905) in annual percentages, 322.
- Port Arthur: 25, 27; leased to Russia, 7, 34, 320; attack upon, 28-9.
- Prices: rise of, 81 *et seq.*, 153, 158, 161, 273; of tobacco, 136; of commodities (1873-1912), 279-80, 284 *et seq.*; of labor and commodities in Tokyo and Osaka (1893-1910), 282, 292; comparison of, of commodities with currency in circulation (1887-1911), 289, 311; of labor in Tokyo (1893-1903), 293-4, 312-3; fluctuation of, of labor and commodities (1893-1903), 294; wholesale, in Tokyo (1893-1903), 303 *et seq.*; in Osaka, 310; of labor, in Osaka (1893-1903), 314-5; of necessities in Tokyo (1893-1903), 316; of commodities in annual percentages (1887-1905), 322.
- Progressive party, of Korea, 12, 14.
- Railways: construction and improvement of, 89, 94, 96, 103, (1893-1903), 145, 255-6, 258 *et seq.*; expenditures for new construction of, 105-6; construction of, in Formosa, 111, 261; volume of goods transported by (1893-1903), 227; capital invested in (1896-1903), 257; extension of private (1893-1903), 261; passenger, freight, income etc. of government (1893-1903), 265, of private (1893-1903), 267, of Formosan (1897-1903), 269; revenue, disbursements and profits of government (1893-1903), 266, of private (1893-1903), 268.
- Receipts: monthly government (1874-1876), 59; from war loans, 63, 72, 113-4.
- Redemption: of war loans, 64, 66, 68, 75 *et seq.*, 89, 113; Chinese indemnity used for, of war expenses, 121; of national bank notes, 162, 167; of government notes and bank notes, 189 *et seq.*
- Regulations for issue of war loans, 64 *et seq.*
- Revenue: budget of, for war purposes, 47-8, (1894-1896), 56, (1893-1903), 87-8; monthly, for war purposes, 52-3; from occupied territory, 55; for expenditures for war, 58; for expenditures after 1896, 90; for post-bellum enterprises (1896-1903), 92; increase of, 94; ten year plan for (1896-1905), 95; from telegraph system, 131-2, 137; from tobacco monopoly, 132, 137; expansion of, of local communities (1893-1903), 142; excess of, over expenditures (1893-1903), 143; of government railways (1893-1903), 266; of private railways (1893-1903), 268; from customs duties, 291.
- Rewards, for war fund contributors, 43.
- Rice: area under cultivation (1893-1903), 275; average price of (1893-1903), 281.
- Rintsushin, 23.
- Russia: Port Arthur leased to, 7, 320; interference of, in Liaotung Peninsula, 33-4.
- Ryuzan, 23.

- Sake*, tax on, 90, 126, 129, 289.
- Sanitation, expenditures for (1893-1903), 151.
- Sasebo, 31.
- Scrip, war, issued, 55 *et seq.*
- Seoul: 10; Japanese legation at, 11; Treaty of, 15.
- Shanghai, steamship service from, 108.
- Shanhaikwan, capture of, 32.
- Shantung: 30; fighting in, 35.
- Shashih, opened to commerce, 33, 232.
- Shimonoseki: 10; Treaty of, 33, 35, 109, 118; telephone extension in, 264.
- Shiojiri, 105.
- Shipbuilding: subsidies for, 84, 89, 109, 254, 262; increase in, 210, (1893-1903), 256.
- Sino-French War, 7.
- Sinonoi, 105.
- Soejima, Count, 9; Japanese envoy to Formosa, 11.
- Songhwan, battle of, 19, 22, 49.
- Soochow, opened to commerce, 33, 232.
- Soshajo, 22.
- Soshimori, 8.
- Specie: prevention of diminution of, 56-7; effect of war on reserve, 155; decrease of reserve, 171.
- "Spheres of Influence", 321.
- Steamship lines: 107-8; subsidies to, 108-9, 263; statistics of, 270 *et seq.*
- Stock exchange, effect of currency reform on, 165.
- Subsidies: for shipbuilding, 84, 89, 109, 254, 262; to banks, 103, 107, 120, (1897-1903), 179, 182; to Wakamatsu Harbor Construction Co., 104; to steamship companies, 108-9, 263.
- Sugar, imported from Formosa, 229.
- Sujin, Emperor, expedition of, to Korea, 8.
- Susano-no-Mikoto, 8.
- Tai-Wonkun, 9.
- Takezoe, Shinichiro, Japanese Minister to Korea, 14.
- Takushan, 27.
- Taiko, Hideyoshi, expedition of, to Korea, 8.
- Tamushan, naval battle at, 24.
- Taohotsuon, battle at, 27.
- Tariff rates, 233-4, 290.
- Tatungkow, capture of, 27.
- Taxes: increase of, 81 *et seq.*, 90, 126 *et seq.*, 280, 289 *et seq.*; readjustment of, 95; income from, 127; to defray expenditures of Boxer Rebellion, 132-3; business, 228; comparison of, with wages and cost of living (1893-1903), 299; levied (1893-1903), 317; revenue from, in annual percentages (1887-1905), 322.
- Teijoshō, 13.
- Telegraph, revenue from, 131-2, 137.
- Telephone system, extension of, 89, 94, 103, 106-7, 255, 264.
- Tienchwangtai, capture of, 30-1.
- Tientsin: 14; Treaty of, 5, 15, 17, steamship service from, 108.
- Tobacco: establishment of, monopoly, 90, 126; workings of, monopoly, 134 *et seq.*; revenue and profit from, 132, (1898-1903), 136-7; advances in manufacture of, 210; rise in price of, 281; tax on, 290.
- Togakuto Affair, 6.
- Tokyo: 11, 124; interest rates in, 65, 75; extension of telephone service in, 106; prices of commodities and wages in (1893-1903), 282-3, 292; price of labor in (1873-1910), 293, (1893-1903), 294, 312-3; wholesale prices in (1893-1903), 303 *et seq.*; prices of necessities in (1893-1910), 316.
- Tong Haks, revolutionary movement of, 17-8.
- Torpedo boats: number used during war, 35; use of indemnity funds for constructing, 97.
- Toyama, 105.
- Trade: with Korea, 9, 12, 154, 237; expansion of foreign, 89, 158, 230 *et seq.*; decrease of foreign, 168; foreign (1893-1895), 225, (1893-1903), 239, (1868-1903), 244 *et seq.*; between Japan and Formosa (1897-1903), 230.
- Transportation: progress in, 254 *et seq.*; capital invested in (1896-1903), 255.
- Treasury Office, expenditures for (1894-1903), 36, (1894-1897), 43, 45.
- Treaties: of Tientsin, 5, 15, 17; of 1876 (Korea), 10 *et seq.*; with western Powers, 12; of Chemulpo (1882), 13-4; of Seoul, 15; of Shimonoseki (1895), 33, 35; commercial, 234.
- Tsuboi, Rear Admiral, 21.
- Tsung, Tai, Emperor, 8.
- Tsuruga, 105.
- Ujina, 23, 32.
- United States: Chinese treaty with, 12; monetary system in, 162; tariff agreement with, 233.
- Vladivostok, steamship line from, 108.
- Wages: rise in, 85; of factory workers compared with, of independent workers (1899-1903), 223; of factory

- workers compared with prices of commodities (1899-1903), 223; comparison of, with cost of living and taxes (1893-1903), 299.
- War funds: extra, 47-8; subscriptions to, 54; shortages in (1894-1896), 60.
- War Office: expenditures for (1894-1903), 36-7; extraordinary expenditures for (1894-1901), 38-9.
- Warships, number engaged in war, 35; use of indemnity funds for construction of, 97.
- Weihaiwei: 19, 25; leased to Great Britain, 7, 34, 320; attack upon, 30 *et seq.*; expenditures for guarding, 97, 110, 118; use of Chinese indemnity for guarding expenditures of, 120.
- Wheat, area under cultivation (1893-1903), 275.
- Wiju, attack on, 26.
- Wönsan, 9, 18, 22-3; opened to trade, 12-3.
- Yamagata, Aritomo, Minister of War, 10, 23, 25.
- Yingkou, 30.
- Yokaichin, opened to trade, 13.
- Yokohama: extension of telephone service in, 106; steamship line from, 108.
- Yokohama Specie Bank: 90, 173, 193; business of, 175; increased capitalization of, 176; development of, 177; loans made by (1893-1903), 201.
- Yungching, 30.
- Yungancheng, battle at, 27.
- Zempojun, leader of Tong Haks, 17.

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68

