

of fact, regardless of the public opinion represented and expressed by the political parties or through the press. Up to the first half of the Taisho Era the political parties could not make much progress as independent bodies, and were almost always made use of by the clan statesmen or military leaders, not having enough power of their own to form a party cabinet, but disgracefully allowing themselves to become tools of bureaucracy even when the head of the party himself organized a cabinet. But the remarkable development of capitalism and rapid progress of democratic thought among the people at the time of the World War and afterwards caused a decline in the power of the bureaucrats. The coming of Hara, President of the Seiyukai, who was a plain common man, into power gave almost the last blow to the old bureaucracy, which gradually faded away by the beginning of the Showa Era.

Hara's Policy The policy of the Hara Cabinet was, in outline, the completion of national defence, the improvement of the educational system, the promotion of all business and the adjustment of traffic organs. The establishment of the jury system, the improvement and enlargement of the higher educational organs, and the revision of the Election Law must be counted to the credit of this Cabinet. Hara showed his democratic spirit in revising the military governmental system of Taiwan and Chosen so that a civil official might become the Governor-General of a colony. The 41st session passed without much disturbance. But the Seiyukai had not yet an absolute majority and when the anti-cabinet parties proposed the bill of universal suffrage at the following session, Hara took advantage of it and dissolved the Lower House

to get his much-wanted majority. The result of the general election held on May 10, 1920, was as follows:

Seiyu-kai	279	Kokuminto	29
Kensei-kai	108	Neutrals	48

Hara was able to do what he liked by the support of the great Seiyukai again, and pushing aside all opposition from his political foes he was advancing brilliantly toward the completion of the said policies when he fell a victim to the dagger of a young assassin at Tokyo station on Nov. 4, 1921. His death was a great loss to the State and for the future development of political parties. He was succeeded as President of the Seiyukai by Korekiyo Takahashi. Takahashi is well known as an expert on finance, but as the head of a great political party he was too good and had not enough tact and power to keep the big group of politicians in unity, and the Seiyukai soon began to break up. Takahashi organized his Cabinet after the incident, but it was short-lived because of discord among the Ministers who belonged to the Seiyukai, and it was compelled to resign within 6 months. The Seiyukai had troubles among themselves while the other great party, the Kenseikai, was rather weak so that bureaucratic cabinets were organized one after another for about three years. When Count Kiyoura formed his bureaucratic Cabinet in Jan., 1924, the Seiyukai was divided into two on the question of supporting or not supporting the new cabinet, and the majority of its members who were pro-cabinet seceded from the Seiyukai and organized the Seiyu-honto under the leadership of Yamamoto, Motoda, Nakahashi and Tokonami.

The General Election of 1924 The Kiyoura Cabinet dissolved the 48th session of the Imperial Diet and at the general election which was held in May, 1924, the opposition parties,

namely, the Kenseikai, and the Kakushin Club stood up against the Government rallying their forces in defence of parliamentarianism. They won the day, and under Premier Kato who was the head of the then largest party, the Kenseikai, a coalition Cabinet of the three parties was realized. This was the death-blow to the bureaucracy of Japan; the clan chieftains and bureaucrats entirely lost their power as a political class and the bourgeois parties completely took their place, the final blow being the passing of the Universal Suffrage Law at the 50th session of the Diet.

Universal Suffrage

The 50th session of the Diet was convoked on Dec. 25, 1924, and it became a memorable one by passing the Universal Suffrage Bill. The demand for universal suffrage had a long history, but it seemed impossible to realize it as long as bureaucracy had its iron grip on all such questions. But the time had come for the mass of the people to voice their convictions on politics with freedom. This time the Government itself drafted the bill and it was first subjected to the examination of the Privy Council. The conservative heads of the Council advised revisions on important points and the Government sent it to the House of Representatives which passed the original bill of the Government and sent it to the House of Peers. The latter House could not directly oppose it, but passed it with amendments on weighty points pretty nearly to the same degree as those of the Privy Council. The consultations between the two Houses were repeated, and its passing became almost hopeless when K. Okazaki of the Seiyukai made a supreme effort to bring the two Houses into harmony and the Universal Suf-

frage Bill was passed, to come into force on May 5 of the same year. The antagonistic attitude of the House of Peers toward universal suffrage resulted in a revision of the House of Peers Law to the effect that the number of Kazoku or noblemen among its members was decreased. It must be remembered, however, in this connection that the measure then passed should more correctly be termed Manhood Suffrage, since women were excluded from its provisions.

Side by side with the accession of the bourgeois parties to power, there broke out many political movements of radicals and proletarians in the form of political parties (see the following articles on these parties). Radicals among the existing parties organized their own party, the Kakushin Club, mentioned above, in Nov., 1922, by the combination of the group of Ozaki, Shimada and their comrades who had left the Kenseikai, with the Nationalists' Party which was led by Inukai, and one other group. But in May, 1925, it broke up, and Inukai and his colleagues joined the Seiyukai. Later the Kakushin Club dwindled into a very small party although it played an important part in the doings of the Imperial Diet owing to the noble and conscientious personalities of some of its members, such as Ozaki, Seki and Kiyosé.

There was another movement organized by business men who were not satisfied with the actions of existing political parties which frequently opposed their interests, and they organized a Business Men's Party under the leadership of Sanji Muto in April, 1923, for the purpose of protecting the interests of business men against both the other political parties and the socialists who now began to appear upon the surface of the political world in spite

of the determined attitude of the Government against them. But this party was unable to get much sympathy from the general public.

Tanaka to Hamaguchi Viscount Takahashi resigned the Presidency of the Seiyukai and General Baron Tanaka was called from outside to succeed him in April, 1925. This change broke up the unity of the Coalition Cabinet of the three parties mentioned above, and it was forced to give up office. It was followed by a Kenseikai Cabinet under Premier Kato in August of the same year. The Premier fell ill and died, and Wakatsuki, the new President of the Kenseikai was ordered to form a cabinet in January, 1926. Tokonami, who led the Seiyu-honto, took a very ambiguous attitude toward the other parties, but finally joined Wakatsuki and the two parties became one on June 1, 1927, assuming the new name of Minseito. Of this new party Hamaguchi became President while Wakatsuki and Tokonami were made advisers.

On the other hand, the Seiyukai began to rally its power gradually under the leadership of Tanaka, inviting Inukai and his comrades and a part of the Seiyu-honto to join them and after the collapse of the Wakatsuki Cabinet in April, 1927, the Tanaka Cabinet came into being. But unsatisfied with the result of the first general election by universal suffrage in 1928, they tried hard to collect as many members as possible from among the neutrals or the Minseito. At the same time, Tokonami, who had lost hope of becoming the head of the new Minseito Party, seceded from it in August of the same year, and afterward, when the Hamaguchi Cabinet was formed in July, 1929, he went back to his old home, the Seiyukai.

In July, 1929, Hamaguchi organized the Minseito Cabinet and his

party won an absolute majority in the House of Representatives as the result of the second universal suffrage election in the following year. But on Nov. 14, 1930, Hamaguchi was shot at Tokyo station, and although he lived another year his wound finally proved fatal and hard times again visited the Minseito. Wakatsuki became its President again and formed a Cabinet in April, 1931.

Two Years of Political Change

With retrenchment as its war-cry, the Wakatsuki Cabinet carried out a general reduction of the salaries of officials and tried to make readjustments in the administrative, financial and tax systems, but without success. In particular they tried to lighten the burden of the military expenses and reduce the vast sums demanded by the pension system, which was a yearly-increasing drain on national finances; but all their efforts were fruitless. The financial depression and unrest irritated the mind of the people and the whole nation seemed waiting for something to happen to give a turn to the grave state of affairs, both social and political. Just at that time the Manchurian Incident of Sept. 18, 1931, occurred near Mukden. The Manchurian problem and the relations between Japan and China had been becoming more acute year by year and the Manchurian railway affair called the attention of the world to the impending collision of the two nations. The incident proved a turning-point in the drift of national politics which now headed in a very different direction not only in diplomacy, but also in many home affairs. The Army and Navy took the lead over the Manchurian problem, no doubt, but they could do so only because the people at large sympathized with and

supported them. The budget for the fiscal year 1931-1932 could not be made out without floating a national loan or increasing the taxes, which would of course be most unwelcome to the people at large. Rowdiness and riotous struggles in the House of Representatives at the 59th session which was held at the beginning of 1931, greatly lowered the standing of the House in the eyes of the people and the inability of the Imperial Diet to take any decided course of action after the Manchurian Incident brought parliamentary government into discredit with the nation, and this state of affairs much affected the stability of the Wakatsuki Cabinet. In October, 1931, Wakatsuki expressed his wish to resign to a member of the Cabinet, and there arose discussions on the wisdom of forming a new cabinet which might combine the forces of the Minseito and Seiyukai. But opinion was divided, and in the end the Wakatsuki Cabinet was forced to resign grudgingly on December 11.

Inukai and the Embargo Inukai, who became President of the Seiyukai in 1929 after the death of Tanaka, publicly announced his idea of reimposing the gold embargo at the general meeting of his party on November 10, and the resignation of the Wakatsuki Cabinet, which came immediately after it, therefore, suggested the possibility of something serious taking place in case the choice of the succeeding government was not well made. The Minseito rather expected to get the Imperial Order for the reorganization of the Cabinet, while others wanted the realization of a strong bureaucratic government. Some proposed bringing about a coalition cabinet of the two largest parties. But Genro Saionji laid the nomination of Inukai to the Premiership before the Throne, and on Dec. 13, 1931, the

single Seiyukai Cabinet came into power.

Adachi, who was one of the leading personages of the Minseito, seceded from it with his colleagues and the party which had the absolute majority in the Lower House was thus divided into two.

The Inukai Cabinet proclaimed the re-imposition of the gold ban on the day following its installation, as had been expected. This Cabinet had a minority in the Lower House, so they intended to dissolve the Diet at the coming session when suitable occasion arose, to ask for an expression of national confidence at the general election, and hastened to make preparations for it. Hardly had a week passed before it changed most of the local governors to those who were favourable to the Seiyukai, because these officials have direct influence over the general election. The new Cabinet had assumed the post but two weeks before the 60th session of the Diet and could have no time for planning a budget of its own, so had to borrow that of the Wakatsuki Cabinet. It was, nevertheless, presented to the Diet with some changes or revisions, but it failed to be passed because of the dissolution on Jan. 21, 1932.

Previous to this, an unexpected event endangered the life of the Cabinet. It was nothing less than a bomb thrown at the Emperor's procession near the Sakurada Gate of the Palace Grounds and before the headquarters of the Metropolitan Police. The Emperor and an Imperial Prince narrowly escaped injury. This act of "lèse majesté" compelled the cabinet to resign, but the Emperor did not ask them to assume responsibility, and encouraged them to continue in office, and Inukai and other members of the Cabinet pledged their patriotism and loyalty to the Throne, in spite of

public opinion which was rather against their holding on to the reins of power.

The Seiyukai's Victory The general election of Feb. 20th was carried out amidst the apparent apathy of the people at large because their attention was absorbed by the Manchurian problem and the events in Shanghai which seemed to be impelling the nation towards international discord, with war as a final outcome. But the result was that the Seiyukai, the government party, piled up the grand majority of 304 while the Minseito dwindled to 146. One tragedy that occurred in the confusion of the campaign was the assassination of Inoué, former Minister of Finance, on his way to an election debate, an event which became one of the reasons of the defeat of the Minseito.

As mentioned elsewhere in the Year Book, the point to be noticed about this event was the fact that it was not a covert political action of the opposite party, although it happened at the climax of the election, but the pistol was fired by a member of a secret right-wing association who planned to destroy the existing political parties, the Imperial Diet, and the capitalists. A young man who belonged to this association killed Baron Dan of the Mitsui Company, in March according to their detailed programme of assassinations.

The Seiyukai Cabinet, which had gained the absolute majority in the House of Representatives, was to call an extraordinary session of the Diet in March to decide upon the emergency military expenses. But the public atmosphere did not allow Nakahashi, Minister of Home Affairs, to stay in his position, because he was directly responsible for the *lèse-majesté* case of January, even though the Cabinet had been con-

firmed in office by the generous order of the Emperor. Dissensions arose in the Cabinet over the necessary redistribution of seats, though this was arranged after a fashion by shifting Suzuki from the chair of the Minister of Justice to that of Home Minister and putting Kawamura into that of the Minister of Justice.

The May 15 Incident In the meantime, the new State of Manchoukuo was born, and the activities of international diplomacy helped to solve the complications in Shanghai, warfare there being terminated by mutual agreement. But Japan's international relations became strained and the world's attitude toward Japan, due to her persistence in military actions, became, reasonably or not, increasingly unfavourable, which reacted badly on the Inukai Government. The financial condition held out little hope for the business world, and the Government was unable to make any positive plans for the present and future of the public welfare. On the other hand, the general social and political unrest, and the discredit brought on parliamentary government helped the rapid growth of national socialistic thought in the minds of the people, and the organization of various Fascist associations among the hot-heads, both young and old. The repeated assassinations disturbed the public mind to the last extreme, and alarming rumours spread from the metropolis to the remotest parts of the Empire. The veteran statesman Inukai, the Premier, was eager to protect parliamentarism by making a thorough improvement of the political parties and realizing an even distribution of political benefits among the people in general instead of a partial accumulation of it in the hands of privileged classes. But the younger elements of the nation were too hasty-tempered to place

reliance in his words and idealism, and on the evening of May 15, 1932, a dozen young cadets and officers of the Imperial Army and Navy armed with pistols broke into his official residence at Nagata-cho, Tokyo, and finding him in his Japanese sitting room pointed their weapons at him. "Wait a moment," said Inukai quietly. "Let us talk things over and you will understand my ideas." But without answering a word they fired, and the Premier fell. At the same time another band of young farmers attacked the transformer stations in the suburbs with intent to throw the city into darkness, but they were caught before they could carry it out.

The Saito Cabinet Consequently the Cabinet, having lost its head, immediately tendered its resignation to the Throne; but the Seiyukai much hoped to get the order for the formation of the next cabinet and made every endeavour to bring this about by quickly electing Suzuki to the Presidency within but two days after the event, its members making various sacrifices and compromises for the purpose. But the political and social emergency impressed not only the responsible statesmen, but also the people at large, with the feeling that a single party could not cope with the situation, however powerful it might be as such. The Genro Saionji recommended Viscount Saito to the Throne after a thorough consultation with such experienced statesmen as might well be called vice-Genro. The coming of the Saito Cabinet to power might be considered as a return to the old bureaucratic form of government. In a sense it was so, since it was the reactionary political state of affairs and the rise of national-

istic parties or associations, that made the advent of such a Government possible or even necessary. Admiral Saito had long been the Minister of Marine and had also been successful in his Governor-Generalship of Korea, and went well in harness with Araki, Minister of War, so that they had a good following among the military men and the farmers, who are always in a close relation with the Army and the Navy because it is from the farming classes that their recruits are mostly drawn. History repeats itself, though with a difference. The Saito Cabinet could not be bureaucratic in the full sense of the term, but was composed of five bureaucrats, three representatives of the House of Peers, three Seiyukai members and two Minseito members, so that it was called a "National Cabinet."

At its second extraordinary session in 1932, the Imperial Diet passed the most important resolutions on the relief of the financial hardship of farmers and the recognition of the new state Manchoukuo. The latter was carried out in spite of obstacles, visible or otherwise, and to carry out the former decision a vast amount of money was needed in order to give substantial aid to the hard-stricken farmers, with their debt of ¥6,000,000,000. Of this, some ¥150,000,000 is to be subsidized in this year.

Strength of Political Parties The present strength of each political party may be roughly shown in the following table, which gives the results of the 18th general election in February 1932, the third since universal manhood suffrage was adopted.

Parties	Candidates	Elected	Before Dissolution	Increase or Decrease
Bourgeois Parties				
1. Seiyukai	342	304	171	+ 133
2. Pro Seiyu	10	—	—	—
3. Minseito	278	146	249	- 103
4. Pro Minsei	5	1	—	+ 1
5. Kakushinto	4	2	3	- 1
6. Business Men's Party	—	—	6	- 6
7. Japan Seisanto	1	—	—	—
Proletariat Parties				
1. Social Democrats	15	3	2	+ 1
2. Pro Social Demo.	1	—	—	—
3. National Labour-Farmer Mass Party	13	2	3	- 1
4. Other Parties	4	—	—	—
Neutral				
1. Adachi Party	12	5	10	- 5
2. Others	23	3	6	- 3
Total	708	466	450	

VOTES OBTAINED

	Votes for the Elected	Votes for the Defeated	Total
Bourgeois	1. 5,340,159	334,472	5,674,631
	2. —	29,579	29,579
	3. 2,077,718	1,305,543	3,383,261
	4. 10,443	9,002	20,345
	5. 29,826	9,562	39,388
	6. —	—	—
	7. —	1,445	1,445
Neut. Prolet.	1. 49,774	72,488	122,262
	2. —	3,496	3,496
	3. 37,829	96,535	134,364
	4. —	18,669	18,669
Total	83,404	52,263	145,667
	48,679	91,533	140,212
Total	7,677,882	2,085,487	9,713,319

The Kokumin Domei was organized on Dec. 22, 1932, under President Adachi, and announced itself as a non-governmental party.

Attitude of the Seiyukai About this time the Seiyukai held a general meeting of its members who had seats in the Diet, at which President Suzuki called attention to the graveness of their responsibility in the coming sessions, for they had to give consideration to the national budget, which might exceed ¥2,200 millions, the question of the exchange rate, the readjustment of indebtedness of the people, and the policies for promoting important productions. He added in his address that the great sacrifices made

by the military men deserved the thanks of the whole nation. Yamaguchi, chairman of the executive committee, expressed dissatisfaction with the achievements of the Cabinet, criticizing it as an abnormal one, which ought to be replaced by a party cabinet in accordance with the common procedure of constitutional government as soon as possible, thereby revealing the attitude of one section of the Seiyukai, which was non-governmental if not anti-governmental. As a matter of fact, the Seiyukai held a lukewarm attitude toward the Cabinet all through the months of the 64th session, although they showed no inclination to hinder its doings.

The Minseito, on the other hand, announced and stressed its pro-governmental attitude at its general meeting held on the same day. President Wakatsuki in his address spoke first of the international relations of Japan and the necessity of national unity in supporting the military plans in Manchuria and backing the delegates sent to Geneva, then of the financial difficulties at home, and lastly of the foolishness of political troubles at such a critical moment of the country.

The proletarian parties were, of

course, anti-governmental, and criticized the policy of the Government as reactionary and militaristic and denounced the military budget in their speeches, but they could not do much with but 5 seats in the Diet.

The 64th Session of the Diet The 64th session of the Imperial Diet was convened on Dec. 24, 1932, with the following line-up in the Houses:

House of Peers:

(Number of members, 402, vacancies 4)

Imperial Princes	18
Kenkyukai	148
Koseikai	60
Dowakai	41
Koyu Club	40
Kinyokai	34
Doseikai	15
Independents	37

House of Representatives:

(Number of members, 459, vacancies 7)

Seiyukai	298
Minseito	115
Kokumin-Domei	32
Proletarian Parties, etc.	13

This session closed on March 25, 1933. It was a peaceful or rather monotonous one, and passed the budget of over ¥2,300,000,000 without a single cut, and 51 of the 53 bills proposed by the Government and 7 of the 97 bills proposed by the members of the Diet. Among those passed, there were such important laws as the Farmer-village Debt Readjustment Law, a law for the relief of the people of Tohoku district who had suffered from the recent earthquake and tidal waves, the Child Ill-treatment Prevention Law, the Juvenile Protection Law, and the revision of the Iron-manufacture Promotion Law which meant the union of all the largest iron-manufacturing works.

Political Movement of the Proletariat

There were frequent outbreaks of rice riots in the days of the Tokugawa Shogunate. But the samurai

class was above the farmers and artisans, who had neither political power nor military force. The samurai alone had education and freedom in the real sense of these terms, and they did not consider or treat the common people as their equals. It was, therefore, impossible for farmers and artisans to demand their rights in any systematic way or organized form. In the latter half of the Shogunate wealthy merchants sometimes expressed their discontent, in a way representing the oppressed mass of the people, but in very capricious ways. Some of these mob-riots amounted almost to civil war in their scale and the numbers engaged, but they were, nevertheless, quickly subdued, because the rioters were not armed at all and fought with such poor weapons as bamboo spears and sickles. Besides, they were unorganized because of their lack of competent leaders, for all of them were uneducated and illiterate.

Labour Movement takes Shape When modern commerce and industry were introduced to Japan in the Meiji Era and capitalism began to have sway over the working people, labour movements became active as a matter of course.

Immediately after the Sino-Japanese War, 1894-1895, the development of Japanese industry in modern style was quickened by political and social conditions of the time. "Enrich the country and strengthen the national defence" was the slogan of the political and business leaders, and they had no time to think of the meagre wages and poor living of the workers they employed. Many labourers were compelled to demand increase of wages in 1897. Strikes were reported with varied successes or failures. There were as yet no regulations on the restric-

tion or control of labour movements or strikes. A labour association was organized for the purpose of forming regular trade unions for the first time in the history of Japan, and its membership increased week by week. Sen Katayama played a brilliant part in the first movements of the association. On the 1st of December, 1897, the Iron Workers' Union was organized in Tokyo with over one thousand members, and this was the first trade union in Japan. Its constitution and by-laws were copied from those of the American trade unions. It was reported by the Government that there occurred, from June 20 to November 19 of the same year, 29 strikes involving 3,768 strikers. To take an example, the year 1898 began with a great strike in the Nippon Railway Company, at that time the largest railway company in Japan. It lasted only a few days, but the company complied with all the demands and the strike was a complete success for the workers. The Government, however, began to move against trade unions in 1898, and to prepare for labour legislation.

Public Peace Police Law In 1900 the Imperial Diet passed a bill and enacted it into a law. The law was entitled the Public Peace Police Law. It proved to be the death knell to all phases of the labour movement, preventing the working classes from organizing themselves into unions. The law practically prohibited the industrial working classes as well as the tenant farmers from agitating in their own interests and against the employers and land-owners. And later the law was interpreted to mean that all labour movements were a crime. The very oppressive features of the law caused a movement for universal suffrage and there was or-

ganized an Association for Universal Suffrage. Not only the labourers and their leaders but also many prominent men came into the association, but they could not get the bill passed by the Imperial Diet. The other outcome of the enactment of the Public Peace Police Law was the preaching of socialism among the labourers. There was more freedom of speech on labour and Socialist politics at public meetings than on the subject of trade unions, strikes and boycotts, since the latter were directly concerned with the existing industries. So the leaders concentrated their efforts on the education of the workers in socialism for several years.

In 1901, a socialist party was organized which was called the Social Democratic Party, the original members being S. Kotoku, I. Abé, N. Kinoshita, K. Kawakami, K. Nishikawa, and S. Katayama. It was soon suppressed by the authorities and transformed into a non-political organization, namely, the Socialist Association. The association fought for the oppressed classes and labourers through the press and by public meetings in spite of the stern suppressive measures taken by the Government.

Marxism Introduced It was in 1903 that the socialist theory of Marxism was first introduced to the Japanese radicals, and the theory soon attracted large numbers of students. In 1906, the Socialist Party was organized for the second time, and on Feb. 17th, 1907, the first anniversary meeting of the party was held in Tokyo. The resolution at the meeting announced the aims of the party as follows: a radical and fundamental change of the existing society, universal suffrage, anti-militarism and anti-religion. Later the socialists began conflicts and were divided over the question of socialist tactics

into two groups, i. e., Marxists and direct actionists. Secret activities of radical socialists and stern suppression of the same by the Government developed more and more desperate tactics on both sides, and the Government finally came by a chance to destroy the entire socialist movement in the bud. They instituted the famous anarchist trial in 1911, in which Kotoku and twenty-three others were condemned as traitors, and he with eleven others suffered the death penalty.

Marxist propaganda and leadership of strikes and even anarchists' movement did not cease with the trial and execution of Kotoku and his comrades. One of the most conspicuous events in the annals of their movement was the death of S. Osugi and his colleagues in the midst of the Great Earthquake commotion in Tokyo at the hands of the reactionaries.

But it must be said that Japanese social movement entered into a new era by the stimulus from the Russian Revolution in 1917 and its later development.

Proletarian Political Parties

The Labour-Farmer Party The suppression of the Nippon Socialist Party in 1907 and the stern policy of the Government against socialist movements ever since the treasonous plot under the leadership of Shusui Kotoku made the Japanese proletariat suffer and grope in the dark for the next decade. But the upward bound of Japan's capitalistic industry and commerce in and after the time of the great European War, necessarily stirred up the labour and farmer movements into action. The unpropertied classes who had been awakened by the public cry for democracy about 15 years before, united themselves with the liberal politicians in demanding the univer-

sal suffrage. They, however, found themselves deserted in this political movement when they saw, in the general election of May, 1920, that the reactionary Seiyukai Party which had opposed universal suffrage, got the absolute majority in the Diet. They lost hope which they had placed in the House of Representatives and coupled themselves with syndicalism, which had been raising its head, and determined to take direct action in the solution of labour problems. But there soon arose a long discussion and struggle between the old syndicalism and Marxism and the latter finally took the leading position when, in the fall of 1923, the Yamamoto Cabinet began preparations for a quick promulgation of universal suffrage. And Marxism plus the general political tendency of the times caused the proletariat movements to come back again to the political movements from that of direct actions.

In June, 1924, a society was established for the study of politics to prepare for the organization of a proletarian party. And by the proposal of the Japan Farmers' Union the first national proletarian party was organized on Oct. 1st, 1925, and it was called the Farmer-Labour Party. But this party met the Government's order of suppression on the very day of its organization because of its communistic elements. Thereupon, the left-wing elements were expelled and right-wing elements in the shape of the Japan Federation of Labour, were added, and on the 5th March, 1926, the Labour-Farmer Party was formed, with Mr. Motojiro Sugiyama as its president.

Schism in Proletarian Parties The Labour-Farmer Party soon became a nest of quarrelling cliques, and the question of opening the door to communistic elements gave a motive

for the secession of the Japan Federation of Labour and the right leaders Iso-o Abé, Toyohiko Kagawa, etc., who established the Social Democratic Party with the Federation as its main element and Abé as its President on December 5, 1926. The new party rejected communism and insisted upon parliamentarism as a pure social-democratic party.

Contemporaneous with the formation of the Social Democrats, the left-wing elements of the Japan Federation of Labour and the right-wing elements of the Japan Farmers' Union organized the Japan Labour-Farmer Party under the leadership of Hisashi Aso-o on December 9, 1926, insisting upon the establishment of a right road for the proletarian movement.

The Labour-Farmer Party, which was stripped of half its force by the continuous secession of the right-wing elements, made Ikuo Ohyama its head and opened its doors to the communistic societies. The result was that it was practically led by the Japan Communists and played the part of a legitimate communistic party; and it was compelled to dissolve on the 10th of April, 1928, being suppressed by the Tanaka Cabinet after the wholesale arrest of the Japan Communists on the 15th of March of the same year.

The old leaders of the dissolved Labour-Farmer Party organized a preparatory society for the establishment of a new party and endeavoured to realize their plan, but always met with the pressure of the authorities, and finally organized the Proletarian People's Party under the theoretical leadership of Hitoshi Yamakawa.

Their Union In the meantime, the right-wing elements of the Japan Union of Farmers organized the Japan Farmer Party with the idea of establishing a representative Japa-

nese party of farmers under the slogan, "Farmers come to the Party of Farmers", on October 17, 1926, and there arose many small local proletarian societies or parties in different districts.

Such rivalry and disunion among proletarian parties naturally called forth a demand for the unification of fighting lines on all sides. But the union of the right and left wings, which were moved by different leading principles and tactics, was as yet impossible, and the parties, which kept to the middle way, like the Japan Labour-Farmer Party, the Japan Farmer-Labour Party and the General Proletarian Party, which were the three national proletarian parties, and the Proletarian Constitutional Party, the People's Party in the central district and two other local parties were all united into one and organized the Japan Mass Party.

This union of the midway parties was accepted by the public as a forerunner of unifying the fighting lines of the proletariat, but there soon broke out in the party itself a movement for "cleansing," which shook the leading strength of the party to its foundation and expelled the members who had come in from the left General Proletarian Party, while the old members of the right Japan Farmer-Labour Party withdrew themselves. The General Proletarian Party organized an anti-separation union and protested against the leaders of the Japan Mass Party, but they themselves were soon dissolved into the Tokyo Proletarian Party for the Masses and other local proletarian parties.

The leaders of the former Labour-Farmer Party, who had formed a preparatory society for the establishment of a new party just after the dissolution of their party, continued their movement for its reconstruc-

tion, but their project was prohibited half-way, and the preparatory society itself was ordered to close. They were thus compelled to organize a labour-farmer union, an illegitimate body, for obtaining political freedom and did not cease to follow a communistic policy. But they were involved in the wholesale raids on the Japan Communists on March 15, 1928, and April 16, 1929, in which the ablest radical leaders were accused of being members of the Communistic Party and were mostly arrested so that their movement came to an end. The leaders who escaped the raid such as Ikuo Ohyama and Hajimé Kawakami organized a Labour-Farmer Party on November 1, 1929. The purpose of their new movement was to proclaim the need of obtaining the right of public activity as a lawful left-wing party by establishing a standing political organization.

While the left and midway parties had been continually combining and re-dissolving, the right-wing party of the proletariat or the Social Democratic Party alone developed without a hitch for some time, but in Sept., 1929, the Osaka Union of the Japan Federation of Labour, the main element of the party, separated from the federation and consequently withdrew from the party and established the National Democratic Party on January 15, 1930. But this party was united with the Japan Mass Party on the 20th of July of the same year and formed the National Mass Party.

The N. L. F. Mass Party The movement for the greater union of the proletarian parties was continued and the Society for the Realization of Unity of Proletarian Parties, which was a bloc of those who insisted on the unconditional union among the members of the National Mass Party, the Labour-Farmer Par-

ty and the Social Democratic Party, organized the National Labour-Farmer Mass Party on the 5th of July, 1931. In this new party there was no head of the central executive committee, but Hisashi Aso-o, President of the former National Mass Party, was appointed to the chair of the chief secretary, who also served as Acting President. Ikuo Ohyama, President of the former Labour-Farmer Party, retired from all official positions and went abroad. This National Labour-Farmer Mass Party stood between the extreme left and right, but the inner control gradually became loose and Hajimé Kawakami and Kanemitsu Hososeko were expelled along with some other members. These two were recently arrested as strong sympathizers with the Japan Communists.

Social Mass Party In 1931, the National-Socialist movement suddenly appeared on the surface of the sea of social unrest, and the tide of Fascism began to permeate the proletarian fighting lines; the right-wing of the legitimate proletarian parties turned toward National Socialism. On the other hand, the left-wing was influenced by the Japan Communists, who never ceased their secret movements in spite of the constant interference of the authorities, and the power of the proletarian parties was greatly reduced. This state of affairs induced another union, and on the 24th of July, 1931, the Social Mass Party was organized by the union of the Social Democratic Party and the National Labour-Farmer Mass Party. This new party elected Iso-o Abé, Chairman of the Central Executive Committee; and Hisashi Aso-o, Chief Secretary. The platform of the party was as follows:

(1) We will fight for the protection of the lives of the labour, farmer, and general working masses.

(2) We aim at the destruction of capitalism and the emancipation of the proletariat.

And this new party is acting as a social democratic party, rejecting both Communism and Fascism.

Universal Suffrage and Proletariat
Since the birth of proletarian political parties with the purpose of sending representatives to the Diet, there have been three general elections. The latest campaign was at the third general election which was held on February 20, 1932, under the Inukai Cabinet in consequence of the dissolution of the Diet at the 60th session in the previous month. In this election, the proletarian parties made plans for fighting against capitalistic parties, from their past experiences and on the basis of their characteristic principles and policies, and sending out 36 candidates, fought bravely with public speeches as their only weapon. The result was 5 members elected, with the gain of 290,979 votes. To make a comparison with the former elections, the number of successful candidates on the first occasion was 8 or 3 more, and on the second one it was 5 or the same number as at the last, while in the number of votes they lost at the third election 201,242, compared with the first one, and 207,242, compared with the second one. But the number of the candidates was much smaller than the previous ones, so that the number of votes per capita increased to 8,083 from 5,593 of the first and 5,475 of the second election, or every proletarian candidate at the latest election gained about 3,000 more votes than at the previous two general elections.

Decrease in Candidates The reason of the decrease in the number of candidates at the third general election may be sought in the long financial depression the country over, and especially in the extreme poverty of

the farming villages which caused difficulty in raising funds for the campaign. And the reasons of defeat may be counted as follows:

(1) The rivalry among the proletarian parties themselves in the same field of campaign.

(2) The defects in the system of the proletarian parties and the weakness of their influence on their constituencies.

(3) The lack of appeal of the proletarian parties for the unorganized mass of people.

(4) The inconveniences of the existing election laws for the proletarian parties.

The following table shows a comparison of the results of the three campaigns conducted by the proletarian parties:

	Candidates	Elected	Votes Cast
Feb., 1928			
Social Democratic	19	4	128,756
Japan Labour-Farmer	18	1	85,975
Labour-Farmer	40	2	193,028
Japan Farmer	13	0	46,180
Local Proletariat	3	1	37,282
Total	88	8	492,221
Feb., 1930			
Social Democrats	33	2	170,968
Japan Mass	22	2	161,342
Labour-Farmer	13	1	79,729
National Democrats	4	0	19,695
Local Proletariat, etc.	19	0	66,487
Total	91	5	498,221
Feb., 1932			
Social Democrats	15	3	122,262
National Labour-Farmer Mass	13	2	184,964
Japan National Socialist	3	0	15,477
Labour Union, Farmer Union, etc.	5	0	18,878
Total	36	5	290,979

The National Socialists

Orientation to National Socialism
The national socialistic movement in Japan originated among the proletarian parties and bodies like the Social Democratic Party, as is the case with similar movements in European countries. Because of the lack of a clear class spirit in its leading principles, the Social Demo-

cratic Party has no very strong power in appealing to the mass of the common people and consequently its movement has been rather conservative and in 1931, its main element, the Labour Union, established the Japan Labour Club with the purpose of realizing a great union of the right wing. Stimulated by the supremacy of Fascism in Italy and the Fascisti movement of the Nazis in Germany, there appeared a movement for National Socialism among the members of the Social Democratic Party. Besides, after the Manchurian Incident the atmosphere among the Japanese people was very suitable for the growth of nationalism and patriotism, and the national socialistic section of the Party increased their power under the leadership of K. Akamatsu, chief secretary, and R. Hirano. Akamatsu and his colleagues proposed the immediate dissolution of the Social Democratic Party for the establishment of a new party based on National Socialism, and at their central committee meeting, which was held in April, 1932, this section was defeated by nine votes after a hot debate, and seceded from the Party at once.

Their Platform At the same time, National Socialism began to make its mark among the members of the National Labour-Farmer Mass Party, which kept to the middle way, and especially it gained power among the members who belonged to the National Labour Union, the strongest supporter of the party. Some powerful leaders of the National Labour Union moved for the establishment of a National Socialistic Party, but their motion was rejected by the party and they seceded from it in one body. The seceders met with those from the Social Democrats, and, on the 29th of May, they established the Japan National Socialist

Party with K. Akamatsu at its head. The platform of this party is as follows:

(1) Our party will work for the realization of the "Kingly Way" by the destruction of Mammon Rule, backed by the support of the whole nation.

(2) Our party aims at the assurance of a living for the whole people, realizing a national systematic economy by the destruction of capitalism, through lawful means.

(3) Our party aims at the emancipation of the Asiatic races in accordance with the principle of racial equality and equal distribution of the material necessities of life.

There were other bands of leaders who cherished similar ideals, and such men as Y. Shimonaka and K. Hayashi, outside the proletarian parties, united their forces with a band of leaders of the Japan Federation of Labour, and organized a preparatory society for the establishment of the Japanese Socialist Party at the end of 1931 in company with Akamatsu and his colleagues. But they could not find any point of compromise with the other elements in the fundamental matter of choosing the officials at the birth of the Japan National Socialist Party, and they themselves organized the New Japan Federation on February 11, 1932. The points that they emphasize are almost the same as those of the Japan National Socialists.

Activities of the Old Nationalists

The rise of the nationalistic tide, which coaxed the proletariat partisans away, correlatively gave inspiration to the activities of the old nationalists, and their leading principles began to take national socialistic colour in compliance with the change of the social state of affairs.

The Production Party The Great

Nippon Production Party, an extreme right-wing party, which had hailed Japanese nationalism but vaguely, showed a sudden activity and absorbed the Nippon Nationalists, the Radical Patriots and other parties of similar nature at the end of 1931. They began to see the necessity of gaining the support of labourers, and succeeded in organizing, in Osaka, the Mineral, the Spinning, and the Chemical Workers' Guilds. Their aims are the reconstruction of anti-nationalistic institutions, according to the fundamental national spirit of Japan, and the destruction of selfish capitalists and landowners and the extermination of anti-Nipponism.

The Jimmu-kai On February 11, 1932, the anniversary of the Foundation of the Empire, the Jimmu-kai, a strong nationalists' society, was organized. The central element of the society were the Ko-chi Sha of Dr. Shumei Ohkawa, who had intimate connections with military men, and the new party was also helped by Hiroichiro Ishihara, a business man, Daisaku Komoto, a colonel, and the like. At the general election of 1932, rallying the young members of the Ko-chi Sha, the Great Nippon Production Party and other Nationalistic bodies, they sent out bands on a canvassing tour over the whole country for the propaganda of Nipponism, and put advertisements denouncing the existing political parties in all the leading newspapers. It is said that they gained over 50,000 new members in a month or so of the campaign.

Super-legal Movements of the Rights In addition to the national commotion arising from the Manchurian Incident, the failure of the crops in the north-eastern districts dealt a heavy blow to the poor villagers groaning under financial depression, and the problem of finding

some means of relieving the people in the emergency became so acute that no time was to be lost. This nation-wide suffering and anxiety urged the right-wing movement to proceed to extremities, and they passed far beyond the limits of lawful action. In the midst of the election campaign, on February 9, 1932, Junnosuké Inouyé, ex-Minister of Finance, was shot to death by a young man, Konuma, of the Blood Brotherhood League. On March 5, Takuma Dan, Chairman of the Board of Trustees of the Mitsui Company and one of the ablest contemporary business men, was assassinated by Hishinuma, a member of the same secret association. The authorities, taken by surprise, quickly arrested 15 members of the Brotherhood, and it came out that more than 10 famous statesmen and business men of the front rank were listed to be assassinated one by one. The political anxiety together with still heavier social unrest confounded the minds of the people to an unspeakable degree. In the meantime, at 5:30 in the afternoon of the 15th of May, a band, consisting of six young naval officers and eleven young military cadets, suddenly broke into the Premier's official residence and killed Premier Inukai, shooting him with pistols from all sides, attacked the official residence of Makino, Minister of the Imperial Household, the Bank of Japan, the Mitsubishi Bank and the Headquarters of the Seiyukai Party, by throwing bombs, and then assailed the Police Headquarters, throwing bombs and killing or injuring some of the police with pistols. And after scattering "manifestos to the Nippon people," they hastened to the Headquarters of the Tokyo Gendarmery to give themselves up. At the same moment, the "death-band" of farmers who belonged to the "Aikyo-juku", as a

flying squad of the military officers' band, ran to the transformer substations in the suburbs of Tokyo and threw bombs at them to darken the metropolis. Fortunately their scheme was unsuccessful. This was the so-called "5:15 Affair" as it occurred on the fifteenth of the fifth month, 1932. The after-claps of the event appeared in the secret plots of Dr. Imamaki, adviser to the Jimmu-Kai, in the middle of August, and of the Tenko-Kai and the Independent Young Men's Association in November, and finally at the arrest of Dr. Shumei Ohkawa, head of the Jimmu-Kai and the Far Eastern Economic Research Bureau. With the May 15 Affair, Japanese Fascism reached its climax.

The Farmer-Central Movement As the result of the May 15 Affair the political situation underwent a sudden change, and on the 26th of May, the Saito Cabinet was organized as an emergency coalition cabinet. The appearance of this coalition cabinet smoothed to some degree the hot nationalistic movement which seemed to be on the point of running beyond control. The new Government called the second Emergency Session of the Diet in June and the third one in August, and the Diet passed the "Resolution for the Relief of the Economical Depression", for the purpose of relieving the impoverished villages of the farmers. The motive power of this action of the Imperial Diet was the Farmer-Central Movement of the Self-governing Farmers' Council and its sympathizers which became an incentive to the petition movement for the rescue of the peasant villages from the ruin which threatened them.

The Self-governing Farmers' Council is led by the farmer-central idea of Mr. N. Gondo, and rejecting both the strikes of farmers and na-

tional socialism, it endeavours to realize a farmer-central government with the harmonious co-operation of the ruling class and the people, putting the landowners, the landed farmers and the tenant farmers into one. The Council was organized by the association of the Nagano-Prefecture Japan Farmers' Association, the Emancipation Society, Mr. K. Tachibana, the head of the Village-Loving Society, and Mr. R. Nagano of the Japan Village Government Union, which was established in 1931, with him as its moving spirit.

This farmer-central movement has something in common with the Fascist bodies, and the outbreak of lawlessness which came to a head in the May 15 Affair has at the bottom the idea of putting emphasis on the farmer's position in general politics. This phenomenon deserves careful study, since it appears as a movement against the left-wing socialistic activities which have their foundation in the proletariat movement, with the factory labourers in cities at its back.

Ebb of the Nationalistic Movement After the May 15 Affair as its climax, the nationalistic movement apparently subsided with the establishment of the Saito Cabinet and the opening of the 64th session of the Imperial Diet. The causes of this ebb in the tide of the nationalistic movement may be found in the following facts:— (1) the organization of the present Cabinet has served to dull the sharp edge of the nationalistic movement, with Premier Saito, an Admiral, representing the naval and military group, although the Cabinet preserves the form of parliamentary government, having among its members representatives of the two greatest political parties, Seiyukai and Minseitō, (2) the inflation policy of Mr. Takahashi, Minister of Finance, and the

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An Amalgamation Such a negative tendency in the Nationalist movement stimulated the union or confederation of the right-wing parties, and in June, the representatives of the Nippon National Socialists, the Great Nippon Production Party,

the Jimmu-kai, and the Imperial Reformation Union were gathered together and they organized a Union Council for the settlement of national problems, and in October they affiliated with the New Japanese Union and the Patriotic Workers' Party. At the same time, there was organized the Daido Club, rallying all the younger elements of the nationalist parties under the slogan "The unification of fighting lines by the hand of young men."

On the other hand, the critical state of social affairs stimulated the communistic movement to greater efforts, and the wholesale raid of the 30th of October, 1932, exposed the fact that there were amongst the members a judge and several university professors, well known among the people. This strong secret communistic movement again instigated the reactionary movement of the Nationalists for the extermination of "red" thoughts, and in December, more than ten such parties united for common warfare and organized the Federation for Protecting the Country.

Communist Movements

The fundamental idea of the socialistic movement in Japan is Marxism.

The Nippon Communist Society was apparently broken up by the wholesale raids of 1914 and 1915, and the members who then escaped arrest hid themselves deep in the bottom of society, and secretly continued their endeavours to reconstruct it. But the leaders of the new society, which they organized in 1927, were all arrested on the 16th April, 1928, and the remaining members had a hard time to accomplish the work under the constant oppression of the authorities, and the society showed its activity before the public at the general election of

1931. It was for the third time scattered by the iron hand of the Government after February, 1931, but it continued its secret activities by the order of the International Headquarters with the side or sub-divisions of the communists. In 1931, several bodies of proletarian novelists, dramatists and artists who had more freedom showed brilliant activities in the whole field of art, novels, dramas, movies, music and painting, so that the Government could not leave their movement untouched. Under the pressure of the authorities they continued their painstaking efforts and succeeded in organizing the Japan Federation for the Culture of the Proletariat. Similar Communistic societies became members of the new Federation on equal footing and their activities through different kinds of art were unified.

Communistic activities have had much influence over the students of universities and colleges, and the left-wing movements among them are becoming stronger year by year. The communistic movement is getting a strong footing not only in the districts of the Main Island, but also in the smaller Islands and colonies.

The Japan Communist Society Its activities are carried on secretly and the Government prohibits its propaganda whether by speeches or the press, so it is difficult to know of its real nature. But it is understood that its power and influence are on the increase in spite of the constant arrest of its members. Its slogan of 1932 was "the reconstruction and enlargement of the Society and its popularization." Yet the fact cannot be denied that the Japan Communist Society is still young and far from gripping the mind of the mass of people, while its policy and means have many defects. Besides, the

recent international and national political state of affairs present many questions before the future development of the Society, and it must be said that a thorny path lies before it. It aims at and works for the abolition of parliamentary government, the destruction or revision of capitalistic control of industry and reactionary labour laws, the relief of international unemployment, the improvement of all labour managements, the betterment of the conditions and privileges of women, the abolition or lightening of the penalties imposed upon communists, and its propaganda among the factory workers and the people at large.

The Kopf¹ This federation of proletarian artists was organized in November, 1932, and it works for the education of labourers, farmers and other workers in politics and economy, the improvement of the labourer's living, the establishment of proletarian civilization on Lenin-Marxism, the freedom of speech, publication, exhibition, drama, movies, and broadcasting, the creation of cultural institutions for labourers and all workers.

Other Bodies (1) The Japan Young Men's Communist Union works for the expansion of the Union and spread of Marxism among students of colleges and universities. In 1932, it was especially active in the Osaka district.

(2) The Japan Red Relief Society mainly works for the relief of families of the communists arrested, the improvement of prison houses, and raising funds for employment of lawyers for the comrades.

(3) The Japan Anti-Imperialism Union fights against Imperialistic warfare and for the independence of

¹ Federacio de Proletaj Kultur Organizoj Japanaj.

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The Kopf¹ This federation of proletarian artists was organized in November, 1932, and it works for the education of labourers, farmers and other workers in politics and economy, the improvement of the labourer's living, the establishment of proletarian civilization on Lenin-Marxism, the freedom of speech, publication, exhibition, drama, movies, and broadcasting, the creation of cultural institutions for labourers and all workers.

Other Bodies (1) The Japan Young Men's Communist Union works for the expansion of the Union and spread of Marxism among students of colleges and universities. In 1932, it was especially active in the Osaka district.

(2) The Japan Red Relief Society mainly works for the relief of families of the communists arrested, the improvement of prison houses, and raising funds for employment of lawyers for the comrades.

(3) The Japan Anti-Imperialism Union fights against Imperialistic warfare and for the independence of

¹ Federacio de Proletaj Kultur Organizoj Japanaj.

ances; and in 1932, it was active specially among schools.

(4) In 1932, there arose a new activity of the Communists against religion and it gained great influence among the masses of the proletariat in a short space of time. The leader of this anti-religious movement was the Japan Union of Fighting Atheists. They held lecture meetings in different parts of Japan and drew large audiences. They are against any kind of religion and religious education.

(5) In 1930, as a branch of the Proletariat Cultural fighting bodies, the Investigation Society for the New Education was organized. Their aim is to make investigations on advanced educational systems specially for the proletariat, and to spread Marxism among the teachers and educators of schools. They opened an international proletariat educational exhibition in Tokyo, and are publishing a magazine, the "New Education," besides the opening of public and private meetings in groups according to grade of schools.

The Government's Policy Government suppression of Communist activities continued unchanged in 1932. All the unlawful movements of the left-wing were absolutely quashed. In this year especially, the secret movement of the main body of Marxists was completely broken up by repeated wholesale arrests. The Government was particularly concerned with the control of students, to protect them from becoming "red," and took the following means to accomplish this object:

(1) Expert judges were chosen for the trial of "red" students.

(2) The education and guidance of the "red" students who were in prison was planned. Religious

books were given to the students in prison, and they were treated very kindly in general. When they became better, they were released from prison and were put under the care of parents or helped in finding work. Special religious teachers were chosen who were able to move the hearts of these young men and lead and guide them into other ways.

(3) Criminal laws specially concerning those accused of radical opinions were revised to meet the needs of the times.

(4) The Department of Education took special measures to prevent the spread of Marxism among the students, and a Student Division was established in the Department.

The Government is also endeavouring to counteract Communist activities in their encouragement of the "Rightist" movements of the Nationalists.

The Young Men's Training Quarters The Government itself took the initiative in establishing Young Men's Training Quarters all over Japan in 1927. According to the statistics of the Department of Education in 1931, the number of Training Quarters reached 15,655, only 220 of them being of private establishment. The total number of young men who were trained was 964,574. The purpose of the training work is to give young men instructions on politics and citizenship so as to lead them to become supporters of the existing parliamentary Government and defenders of the country against radical thoughts. Military discipline is an important item on the programme of study, and special privileges are given to those who enter the military service after finishing the training at one of these quarters.

CHAPTER VI

FOREIGN RELATIONS

Earlier Contacts with Foreign Countries

China and Korea China and Korea were the first foreign nations to come into contact with Japan. To these two countries the ancient Japanese were indebted in a large measure for various institutions of civilization. It was, however, not until about the middle of the fourth century A. D., when the Empress Jingo sent an expedition to South Korea and established a resident Japanese government in Silla, one of the three Korean kingdoms, that the Japanese began systematically introducing Chinese culture and learning through Korea. After this, Chinese civilization continued to influence the Japanese to an increasing extent, and in 593 the Prince Regent Shōtoku began the construction of an imposing Buddhist temple and pagoda at Tennoji (now a section of Osaka). This was intended to help propagate Buddhism among the Japanese as well as to impress the Chinese envoys and traders who, in those days, were in the habit of coming to this country by small sailing craft and landing at what is now known as Osaka.

Other contacts with China and Korea occurred on the occasion of the Korean resistance against the encroachment of the Chinese under the Tang dynasty in the seventh century, when the Emperor Tenchi sent assistance to Korea, and at the time of the invasion of the northern shores of the island of Kyushu by an expeditionary force under Kublai Khan in the thirteenth century,

which was the first and last instance of the security of Japan being menaced by foreign invasion. The Mongolian expedition was finally repulsed by the Japanese with the help of a hurricane which wrecked practically all the Mongolian fleet.

Another major event in Japan's earlier foreign relations was the expedition sent to Korea by Hideyoshi Toyotomi in 1592. This expedition was recalled without any decisive results shortly after the death of Toyotomi. It is regarded as probable that the failure of this military action was partly due to the assistance given to Korea by China, which claimed sovereignty over the Korean peninsula.

Chinese civilization was also brought to Japan by the Chinese refugees who emigrated when the Manchus invaded and subjugated China proper in the middle of the seventeenth century.

Spain and Portugal Japan's first contact with Western countries occurred in the middle of the sixteenth century, when Portuguese and Spanish traders first visited the shores of this country. These traders were instrumental in introducing Christianity. This new religion seems to have influenced Japanese to a considerable extent, as may be seen from the fact that the Christian feudatories of Arima in the island of Kyushu sent an emissary to Rome in 1582.

Britain and the Netherlands Shortly afterwards, Dutch and English traders arrived in Japan and were granted every facility for the conduct of business. In the meantime, the

Jesuit and Franciscan missionaries had erected churches in various parts of the country, and their activities came to be regarded with grave apprehension as it was believed that they had political motives. Consequently, the Shogunate Government ordered all missionaries to leave Japan and strictly prohibited Christianity in 1597. The Shogunate Government later went so far as to close the country entirely against communications with foreign countries, issuing a decree to this effect in May, 1636. After this, only a limited number of Chinese and Dutch traders were allowed to reside at Deshima in Nagasaki, and all contact with foreigners was made through them.

Russia Over one and a half centuries of complete seclusion followed until 1792, when Russia sought the opening of the Japanese ports to trade through her representative. In 1806, two Russian ships attacked the coast of Saghalien, plundering a Japanese town and carrying off a number of its inhabitants.

Great Britain during the Napoleonic wars attempted to supplant the Dutch merchants at Deshima by British nationals. These British ventures were followed by the arrival of Americans in Japan. Arriving in the Bay of Yedo in 1837, aboard a ship called the Morrison, these Americans tried to convince the leaders of the Tokugawa Shogunate of the inevitability of Japan entering into relations with the Western powers. A similar attempt was made by King William II of the Netherlands who, in February, 1844, sent a friendly communication to the Shogunate Government urging Japan to enter into treaty-relations with Western countries. It was not, however, until 1853, when the American fleet commanded by Commodore Perry arrived at Uraga,

that the leaders of the Tokugawa régime came to consider seriously the question of regular foreign contacts.

The United States As a result of Commodore Perry's visit, Japan concluded her first treaty of amity with the United States on March 1, 1854, providing for the opening of the ports of Shimoda and Hakodaté to American citizens and for the extension of reciprocal aid to vessels in distress. Russia, Great Britain, France and other Western countries soon concluded treaties of a similar nature.

The conclusion of these treaties, for which no Imperial sanction was sought immediately, gave rise to a strong anti-foreign sentiment and several resident foreigners were murdered. A British squadron avenged these outrages by bombarding the city of Kagoshima at the southern tip of the island of Kyushu in 1863. A similar attack was made on Shimonoseki the following year by a combined fleet of British, American, French and Dutch warships.

The international engagements entered into by the Shogunate Government were sanctioned in 1865 by the Throne, which reassumed its civil and military powers from the Shogunate Government in 1868 after having left *de facto* power in other hands for nearly seven centuries. This restoration of the Imperial power is known as the Meiji Restoration, and with the organization of the new government the safety and welfare of foreigners in this country came to be secured.

The Meiji Era

The "Maria Luz" Incident The first noteworthy incident in Japan's foreign relations in the Meiji Era was what is known as the Maria Luz incident which took place in 1872, when the Japanese Government suc-

cessfully helped in releasing 200 Chinese slaves from the Peruvian ship Maria Luz at Yokohama. This action was upheld by an international tribunal presided over by Emperor Alexander II of Russia and was instrumental in strengthening the position of Japan as an independent nation in international politics.

Saghalien and the Loochoo In 1872, the Japanese Government proposed to buy the Island of Saghalien for ¥2,000,000, but the negotiations for this purchase were broken off on the advice of Count Kuroda, who contended that the island was worthless. Three years later Japan gave up all claim to Saghalien in exchange for Russia's recognition of Japan's sovereignty over the Kurile Islands.

The Loochoo Islands, a group lying between Kyushu and Taiwan, were formally incorporated in the Japanese Empire in 1871, when, inviting the King of Loochoo to Tokyo and creating him a peer, the Japanese Government organized the archipelago into a prefecture called "Okinawa-ken."

The Bonin Island Dispute The Bonin Islands, called in Japanese "Ogasawara-jima," were officially recognized as a territory of Japan in 1875 by the United States following a dispute as to sovereignty therein between the two nations. Prior to this, the Bonins had been claimed by several different countries. They were first claimed by a Japanese, Sadayori Ogasawara, who declared them part of his domain in 1592. An English captain tried to place the islands under British sovereignty in 1827, while Commodore Perry claimed them as an American possession in 1853.

About this time, a number of English and Americans settled in the islands. Learning of this, the Shogunate Government sent a large

number of settlers in company with several officials to prevent the British and Americans from occupying the islands completely, with the result that a dispute arose between the Japanese and American Governments, which was finally settled as stated above.

Expedition to Formosa When a group of shipwrecked Loochooan sailors were massacred by the savages of Formosa (now known as Taiwan) in 1872, the Japanese Government demanded that China punish the murderers; but the Chinese Government declared that they were not responsible for any act committed by the savages of the island over which they said they had no sovereignty. However, when the Japanese Government sent a punitive expedition to the island, a strong protest was received from China. The situation threatened to become very tense, but through the intervention of the British Minister at Peking, the trouble was settled, Japan evacuating the island and China consenting to pay an indemnity to the families of the victims of the outrage.

Treaty Revision Revision of Japan's unequal treaties with the foreign Powers was accomplished in 1894, after a series of unsuccessful attempts, which had led to the collapse of several of the most powerful Cabinets. The treaties of commerce and navigation concluded by the Shogunate Government with the Western Powers provided for the opening of the ports of Yokohama, Kobé, Osaka, Nagasaki, Niigata and Hakodaté, together with Tokyo, to commerce and residence, with extraterritorial privileges for foreign residents. These treaties also required Japan to maintain a very low scale of import duties.

It was for the purpose of seeking revision of the treaties, on the

basis of a provision therein that revisions could be made after 1871, that Prince Tomomi Iwakura's mission was sent to America and Europe in 1871. The great difficulty standing in the way of the proposed revision was the agreement among the eighteen powers concerned to the effect that they would act conjointly in their negotiations with Japan. The United States alone consented to conclude a separate treaty, but a proviso in it that it should not be put into force until after the conclusion of similar treaties with the other Powers deprived the document of its practical effect.

In 1882, Count Kaoru Inoué made overtures to the British Government and a preliminary conference followed to discuss the basis of negotiations, at which elaborate preparations were made for a great conference, in which every treaty Power should be represented. Great Britain and Germany showed their willingness to make liberal concessions and for a time it looked as if Count Inoué's efforts would be crowned with success. However, the conditions of the proposed new treaties leaked out and, feeling indignant over what they described as a humiliation to Japan, the vernacular newspapers started vigorous campaign against the proposed revision. This coincided with the sinking of a British steamer in which all the Japanese passengers perished, and this incident poured oil on the fire of the anti-foreign agitation then prevailing throughout the country. The situation was so threatening that the Japanese Government found it advisable to postpone the negotiations for revision.

The next foreign minister to take up this onerous task was Count Shigenobu Okuma, who started fresh negotiations in 1888. Before officially starting negotiations, however, he

adopted a high-handed policy towards the foreign residents in this country with a view to convincing them of the advisability of revising the treaties. In approaching the foreign Powers concerned, Count Okuma preferred to negotiate with them individually instead of collectively and first of all made overtures to Mexico, offering to allow the presence of foreign legal assessors in the Japanese Supreme Court in cases involving foreigners during a space of at least three years after the enactment of the new legal codes on Western lines. This offer was accepted. After the signing of this treaty, the United States, Germany and Russia soon expressed willingness to make agreement on similar lines, it having been agreed that the new treaties should take effect in 1890. Before the signing of similar treaties by the other Powers, however, a vehement agitation broke out in Japan against the appointment of foreign assessors, and an attempt was made on the life of Count Okuma, in which he was seriously injured.

The treaty revision negotiations, which were thus interrupted, were resumed by Viscount Shuzo Aoki, who succeeded Count Okuma as Foreign Minister. Viscount Aoki's seven proposals did not provide for the presence of foreign assessors on Japanese tribunals, and there seemed to be a good chance of these proposals being accepted by Great Britain, when, owing to an attempt made on the life of the Crown Prince of Russia then visiting Japan, Count Aoki had to resign and was succeeded by Viscount Buyo Enomoto.

Viscount Enomoto continued efforts to complete the desired revision of the treaties, but soon had to resign when the Government was defeated on the budget. In 1892, Count Munemitsu Mutsu assumed the for-

eign portfolio and immediately reopened negotiations with Britain. A new difficulty was added in 1893 when the House of Representatives submitted a petition to the Throne urging the abolition of consular jurisdiction, restoration of tariff autonomy and prohibition of coastal trade. To make the situation worse still, the people agitated against foreigners being allowed unrestricted right of residence and against foreign ownership of property in Japan. The Government, however, dissolved the Diet and concluded a new treaty with Great Britain on July 16, 1894, at London, signed by Lord Kimberley and Viscount Aoki, thereby finally settling the long pending question. Similar treaties were concluded with Austria, France, Germany, Italy, Russia and the United States in 1897.

The Sino-Japanese War The war with China, which arose from a complicated dispute over the independence of Korea, resulted in enhancing the prestige of Japan in the eyes of the entire world. The question whether or not Korea was an independent nation was of long standing and an open clash of interests between Japan and China led to the inevitable war.

In 1880 Japan opened a legation in Seoul, but peaceful relations between Japan and Korea were often disturbed as the result of intrigues, if not active interference, by the Chinese. In 1882, a Korean mob attacked and burned the Japanese Legation, and the legation officials had to flee to a British gunboat then lying at anchor off Chemulpo. This incident, though settled by Count Inoué, then Foreign Minister, who visited Seoul and succeeded in inducing the Korean Government to offer an official apology and pay an indemnity, pointed to the inevitability of war between Japan and China.

Another incident, though not directly connected with the affair just referred to, proved a more direct cause of the Sino-Japanese War. This incident took place on December 4, 1884, when, during the celebration of the opening of the Postal Bureau of Korea at Seoul, at which were present all the foreign diplomats and high officials of the Korean Government, the leader of the reactionaries was murdered and the progressives sought the assistance of Japanese troops in carrying out an anti-reactionary coup d'état. However, the Chinese troops in Seoul, who outnumbered the Japanese by twenty to one, sided with the reactionaries and the Japanese troops were forced to retreat to the Japanese Legation, which was then attacked and burned by the Chinese. In settlement of the dispute arising from this incident what is known as the Treaty of Tientsin was signed on April 18, 1885, between Count (later Prince) Hirobumi Ito and Viceroy Li Hung-chang, under the provisions of which China and Japan agreed not to send troops to Korea without previously notifying each other.

Actual warfare between China and Japan started when a party called the "Tong-haks" rebelled against the corrupt officialdom of Korea. Seeing the régime which she favoured seriously menaced by this uprising, China dispatched troops to Korea and Japan also sent an expedition in accordance with the Treaty of Tientsin. After minor clashes both on land and sea, Japan and China declared war on August 1, 1894, after which the Japanese carried out a short and entirely successful campaign. The result of the Sino-Japanese War was the Treaty of Shimonoseki, concluded on April 14, 1895, by which China recognized the full and complete independence

of Korea and ceded the Liaotung Peninsula and the adjacent waters, as well as Formosa and the Pescadores, to Japan. In addition, China promised to pay an indemnity of 200,000,000 taels to Japan and open up Shashi, Chungking, Soochow and Hangchow to trade and the Yangtze-kiang river to navigation. The acquisition of the Liaotung Peninsula by Japan, however, was objected to by Russia, with the apparent support of Germany and France, and Japan had to return the territory to China, receiving, as compensation, a sum of 30,000,000 taels.

The Boxer Uprising The rendition of the Liaotung Peninsula by Japan was followed by the acquisition of territorial interests in China by various Powers. First of all, Russia obtained the right to extend the Siberian Railway through Manchuria as far as Dairen. Then Germany was granted a 99 years' lease of Kiaochow, while Russia forced China to grant her a lease of the Liaotung Peninsula for a period of 25 years. Great Britain and France subsequently obtained similar leases of Weihaiwei and Kuangchow Bay respectively.

This foreign penetration infuriated a group of Chinese patriots calling themselves Boxers who rose in arms in South Chihli in May, 1900 and besieged Peking, where the foreign envoys and their families faced imminent massacre. The legations were relieved by an allied force furnished by Japan, Russia, Great Britain, the United States, France and Germany. In this expedition, the Japanese played the most important part, sending some 10,000 troops and 54 field guns.

The Anglo-Japanese Alliance Sharing common interests in the Far East, Japan and Great Britain concluded a treaty of alliance on January 30, 1902, in order to maintain

the status quo and general peace in the Far East, simultaneously making it clear that the two countries were specially interested in maintaining the independence and territorial integrity of China and Korea. Against this, France and Russia took the precautionary measure of making the Franco-Russian Alliance applicable to the Far East.

The Russo-Japanese War After her penetration into Manchuria, Russia was forced to agree on April 2, 1902, to withdraw her troops from that region, largely through the intervention of Japan, Great Britain and the United States. According to this agreement, Russia was to complete her evacuation of Manchuria within 18 months. Shortly afterwards, however, she made new demands on China, in exchange for her agreement to withdraw troops, apparently with a view to securing a position of political and economic predominance in Manchuria. This was followed by the sending of Russian soldiers in the guise of civilians to Korea.

Thus menaced, Japan made proposals to Russia for the conclusion of an agreement aimed at guaranteeing Korean independence and reciprocal recognition of Japan's preponderant interests in Korea and Russia's special interests in Manchuria. These proposals were virtually rejected by Russia, with the result that Japan declared war on February 10, 1904. This conflict ended in the victory of Japan and a treaty was signed at Portsmouth, New Hampshire, U.S.A., between the two countries through the good offices of President Roosevelt, on September 5, 1905.

By this treaty Russia recognized the preponderant interest, political, military and economic, of Japan in Korea, and the two signatories agreed to evacuate Manchuria simultaneously. Russia also turned over

its lease of Port Arthur and Dalny (Dairen) and their adjacent lands and waters to Japan, while provision was made for joint Russo-Japanese operation of the Manchurian railway. The treaty also stipulated the cession to Japan of the southern part of Saghalien Island as far north as the 50th degree of north latitude, together with the adjacent islands.

After the Russo-Japanese War Japan concluded a convention with China, on December 2, 1905, known as the Treaty of Peking, embodying the relevant terms of the Treaty of Portsmouth. This was followed by the signing of the Franco-Japanese Convention, on June 10, 1907, the exchange of what are known as the Takahira-Root notes on November 30, 1908, and the conclusion of the Russo-Japanese agreement, on July 30, 1907, all these pacts being designed to preserve peace in the Far East.

Annexation of Korea As a result of the Russo-Japanese War, Korea was made a virtual protectorate of Japan, but to make Japan's protection over Korea complete, Prince Hirobumi Ito, as Japanese ambassador, concluded a convention with the Korean Government on November 17, 1905, providing for the transfer of the control of Korean foreign relations to Japan and establishment of a Japanese Residency-General in Seoul.

Later developments in Korea, however, led to the abdication of the Korean King on July 17, 1907, and a week later a new agreement was signed according to Japan practical control of the administration of the country. The formal Treaty of Annexation of Korea to Japan was signed on August 22, 1910.

The Taisho (1911-1926) and Showa Era (1926-)

The World War Less than two

months after the outbreak of the European War, Japan participated on the side of the Allies, sending an ultimatum to Germany on August 16, 1914, followed by declarations of war on Germany and Austria on August 23 and 27 respectively. Refusing to send troops to Europe, her activities were confined to her attack on the German fort at Tsingtao and rendering naval assistance for the protection of Allied shipping in the southern Pacific and other waters.

At Tsingtao, the Japanese military and naval forces occupied the German base on November 7, 1914, after operations lasting only a week. In the meantime, the Japanese Navy occupied between October 3 and 19 all islands in the southern Pacific north of the equator with the exception of the island of Yap, which a British squadron had taken before the arrival of the Japanese. From the beginning Japan insisted on occupying these islands permanently despite repeated refusals on the part of Great Britain officially to support the Japanese claim. Moreover, in March, 1917, a secret agreement between the two countries provided for the permanent occupation of these islands by Japan in return for her dispatch of destroyers to the Mediterranean Sea. At the Peace Conference, however, her claim to permanent sovereignty was rejected and she was given only a mandate over the islands.

The Washington Disarmament Conference Japan first participated in international efforts to limit armaments in 1921 at the Washington Conference which opened on November 11. After strongly insisting on a 7-10-10 ratio against the navies of Great Britain and the United States, she accepted a 3-5-5 ratio with regard to capital ships.

At this conference, Secretary

Hughes of the United States proposed with regard to capital ships that the United States, Great Britain and Japan scrap respectively 30 ships totaling 845,740 tons, 23 ships totaling 583,375 tons and 17 ships totaling 448,928 tons, including those in course of building, and that the three countries be allowed to retain 506,050 tons in 18 ships, 604,450 tons in 22 ships and 299,700 tons in 10 ships, respectively. After negotiations on the basis of the Hughes proposal, an agreement was reached, with some changes made in the ships to be scrapped. By this agreement Japan was allowed to retain the "Mutsu" instead of the "Settsu" and the United States the "Washington" and the "Colorado" instead of the "North Dakota" and the "Delaware," while Great Britain agreed to scrap four King George V class ships, building two new ships of not more than 35,000 tons each instead. Consequently, the capital ship tonnage which the three Powers were allowed to retain was 525,000 tons in 18 ships for the United States, 581,200 tons in 20 ships for Great Britain and 313,000 tons in 10 ships for Japan.

As regards the replacement of obsolete ships, it was agreed that capital ships might be replaced after 20 years in service, providing that the new ships do not exceed 35,000 tons each in displacement. On completion of the replacement stipulated above, the United States and Great Britain were to have 15 capital ships totaling 525,000 tons each against 9 ships aggregating 315,000 tons for Japan, while France and Italy accepted a total capital ship tonnage of 175,000 tons each.

With regard to auxiliary ships, no agreement was reached on the total tonnage for each country, France claiming 350,000 tons in auxiliary ships and 90,000 tons in submarines, to which Great Britain and the United States were vigorously opposed. The proposal made by Great Britain favouring the total abolition of submarines added to the difficulties of making a total tonnage agreement regarding auxiliary ships. It was finally decided that an auxiliary ship must not exceed 10,000 tons in displacement and must not carry guns of more than 8 inches in calibre. A summary of the Washington provisions is given in the following table:

CAPITAL SHIPS

	Japan	G. Britain	U.S.A.	France	Italy
Total tonnage for each signatory	315,000	525,000	525,000	175,000	175,000
Tonnage limit for a single ship	35,000	—	—	—	—
Limit of gun calibre	16 inches	—	—	—	—

AIRCRAFT CARRIERS

	Japan	G. Britain	U.S.A.	France	Italy
Total tonnage for each signatory	81,000	135,000	135,000	60,000	60,000
Tonnage limit for a single ship	27,000	—	—	—	—
Limit of gun calibre	8 inches	—	—	—	—

AUXILIARY SHIPS

Total tonnage	Not agreed on
Tonnage limit for a single ship	10,000 tons
Limit of gun calibre	8 inches

As to fortifications and naval bases in the Pacific, it was agreed that the status quo should be maintained.

In addition to the general disarmament treaty the five Powers also concluded an agreement limiting the

use of submarines and poison-gas in warfare.

At this conference, Japan was represented by Admiral Baron Tomosaburo Kato, then Minister of Marine.

Tri-partite Conference This conference opened on June 20, 1927, and was participated in by Japan, Great Britain and the United States, with a view to settling certain questions left over from the Washington Conference. Japan was represented by Admiral Viscount Makoto Saito, then Governor-General of Chosen. At the outset the three countries presented their respective proposals, when it became evident that there was an almost unsurmountable difference between the claims of Great Britain and the United States.

The Japanese delegate did his best to reconcile the British and American theses, while making it clear that Japan was in no position to accept the 5-5-3 ratio in regard to auxiliary ships. In this latter connection, Japan succeeded in reaching a compromise with Great Britain but failed to induce the United States to agree to it. Thus all efforts ended in failure and the three Powers concerned closed the conference after publishing a joint declaration.

The proposals advanced by Japan were as follows:

(1) That the Powers concerned should not adopt a new building programme or acquire vessels of war with a view to increasing their respective naval strength.

(2) That the term "naval strength" in the foregoing paragraph should include (a) the tonnages of such vessels retained by each Power as are within the limit of the replacement ages to be defined in Paragraph 4 and (b) the total tonnage of surface vessels and the total tonnage of submarine vessels, which are to be fixed on the

basis of the total tonnage of the vessels of each Power in course or building. In negotiating the naval strength to be allotted to each Power, (a) the tonnage of the vessels the construction of which has already been authorized but the keels of which are not yet laid and also (b) the tonnage of such vessels as will pass the replacement ages before the completion of the building programme to replace them, should be taken into consideration.

(3) Paragraph 2 should not be applied to the following vessels: (a) Vessels of war not exceeding 700 tons each in displacement. (b) Surface vessels carrying not more than four guns with calibres not in excess of 6 inches, provided that their speed does not exceed 20 knots. In this case, guns of a calibre not in excess of 3 inches do not count. (c) Aircraft carriers not exceeding 10,000 tons each in displacement.

(4) Within the limit of the naval strength to be agreed on in accordance with Paragraph 2, each Power may replace, by building or acquisition, the following types of vessel which have passed the following ages or are lost:

Type	Displacement	Age
Surface auxiliary vessels	more than 3,000 tons each:	16 years
Surface auxiliary vessels	less than 3,000 tons each:	12 ..
Submarines		12 ..

(5) Tonnage in excess of the naval strength stipulated by Paragraphs 1 and 2, and vessels replaced in accordance with Paragraph 4, should be disposed of in such a manner as will be agreed on.

(6) Proper provisions should be made to avoid any sudden change in strength by replacement of obsolete vessels.

The London Conference At the naval disarmament conference called in London on January 21, 1930, in

which the United States, Great Britain, Japan, France and Italy participated, the Japanese delegation, headed by Mr. (later Baron) Reijiro Wakatsuki, upheld what they called "the three great principles" of Japan. These were (1) a total tonnage of 8-inch gun cruisers for Japan equal to 70 per cent. of that possessed by the United States, (2) no abolition or material reduction of submarines and maintenance of the then existing submarine strength of Japan, i. e. 78,500 tons, and (3) a ratio of 7-10 against the United States in the global tonnage of auxiliary vessels on the basis of the two foregoing conditions.

These principles were based on the naval policy which Japan had consistently followed since the time of the Washington Conference, a policy aiming at providing effective defence of the coast line of the main island, Honshu, securing communications between Honshu and Taiwan (Formosa), Chosen, Manchuria and China proper, and protecting Japan's trade routes to the American continents, the South Seas Islands and Europe. In order to meet these requirements, Japan thinks it necessary to possess such naval strength as will be sufficient to withstand any fleet which the greatest naval Power could send to the Western Pacific, and at the same time protect the sea routes between Japan and the Asiatic continent north of Fukien Strait as well as those between Japan and the United States in order to secure the supply of such goods as are necessary for the sustenance of the nation. These requirements the Japanese Ambassadors at London and Washington undertook to explain to the governments of Great Britain and the United States respectively before the opening of the conference.

The conference was fraught with

numerous difficulties. In the first place, opinion was divided as to whether global tonnage or different categories of vessels should be taken as the basis for proposed reduction, but this difficulty was overcome by a compromise allowing these two bases of reduction to be discussed simultaneously. By far the greatest difficulty was the difference between the Japanese and American theses, Japan claiming the ratio of 7-10 and the United States insisting on that of 5-3. To make the situation still worse, France claimed a global tonnage of 721,400 tons. The American-Japanese entanglement, however, was in a large measure smoothed out through informal conversations between Mr. Tsuneo Matsudaira, Japanese Ambassador in London, and Mr. David A. Reed, of the American delegation.

To summarize the Japanese-American compromise, Japan was accorded a global tonnage of auxiliary vessels equal to 70 per cent. of that held by the United States, and in regard to submarines, Japan reduced her claim of 78,500 tons to 52,700 tons on the condition that parity was to be maintained between Japan and the United States in this respect. As for the ratio of 10,000 ton cruisers, Japan was allowed to retain a number of such ships equal to 70 per cent. of those possessed by the United States until 1936, while the United States was allowed to lay down the keels of three more ships of this category on condition that they should not be completed during the stated period.

Besides extending the naval holiday for a period of another six years, the London Naval Treaty, which was signed on April 22, 1930, affects Japan in the following respects:

(1) Japan was required to remove from active service the capital

ship "Hiyēi", although she was allowed to retain it for training purposes.

(2) Japan was allowed to replace the minelayers "Aso" and "Tokiwā", provided that the two new ships should not exceed 5,000 tons in displacement.

(3) Japan was required to dispose of the "Asama", "Yakumo", "Izumo", "Iwatē" and "Kasuga"

Categories	United States	Great Britain	Japan
Cruisers:			
(a) with guns of more than 6.1 inch calibre	180,000 tons	146,800 tons	108,400 tons
(b) with guns of 6.1-9 inch or less	148,500 "	192,200 "	100,450 "
Destroyers:	150,000 "	150,000 "	105,500 "
Submarines:	52,700 "	52,700 "	52,700 "

The League Disarmament Conference late in 1932, when the general disarmament conference was called at Geneva after years of preparation by the disarmament commission of the League of Nations, Japan also submitted a plan of her own with regard to naval limitation and reduction. This proposal, which was published on December 11, 1932, made it known that Japan was desirous of making it the guiding principle of the conference that offensive power should be reduced and that the geographical and other special circumstances of each country should be fully taken into consideration in making any settlement.

As regards the formula of the projected agreement, Japan proposed to divide it into general and special agreements. In the general agreement, it was proposed to arrange for the qualitative reduction of all vessels, and also the quantitative reduction of "offensive" vessels, belonging to Japan, Great Britain, the United States, France and Italy.

With regard to the special agreement, all the countries of the world should be divided into four groups, under (1) the Pacific group, (2) the Atlantic group, (3) European group

when the first three vessels of the Kuma class were replaced by new ships.

The following table gives the tonnage limits in the cruiser, destroyer and submarine categories which, under the London Treaty, the ships of the three greatest naval Powers, as completed by the end of 1936, are not allowed to exceed:

	United States	Great Britain	Japan
Capital ships	25,000 tons		14-inch guns
A class cruisers	8,000 "		8- " "
B class cruisers	6,000 "		6.1- " "
Destroyers	1,500 "		5.1- " "
Submarines	1,800 "		5.1- A "

It was further proposed that aircraft carriers should be totally abolished and no vessel of war should be equipped with a landing platform or deck for aeroplanes.

Further, the capital ships of the three greatest naval Powers should be reduced to 200,000 tons in 8 vessels for Japan, and 275,000 tons in 11 vessels each for the United States and Great Britain. France and Italy should be allowed to retain any number of vessels within a total limit of 150,000 tons.

In respect of the A class cruisers, Japan proposed to limit them as follows:

Japan	10 ships	80,000 tons
Great Britain	12 ships	96,000 "
United States	12 ships	96,000 "

France and Italy should be allowed to fix the ratio between their strengths in this class of vessel by mutual negotiations within a limit of 7 ships with a total tonnage of 56,000 tons each.

Finally, the Japanese plan proposed that Japan, Great Britain, the United States, France and Italy should each be allowed the maximum limit of 150,000 tons in B class cruisers, 150,000 tons in destroyers and 75,000 tons in submarines.

Simultaneously with the publication of this proposal at Geneva and Tokyo, the Minister of Marine, Admiral Keisuké Okada, issued a statement reviewing the progress of the naval reduction problem and explaining the principles on which Japan's proposal was based. In this statement he made it known (1) that in formulating the proposal, the Japanese naval authorities had fully respected the various resolutions adopted in the Disarmament Conference, (2) that they had taken into consideration as far as circumstance permitted the different proposals made by other Powers, (3) that they had considered the geographical situations and special conditions of all Powers, (4) that they had aimed at formulating a plan of reduction to the furthest possible limit qualitatively as well as quantitatively, following the principle of decreasing the power of attack and increasing the power of defence, and (5) that they were proposing, on the basis of the effective fighting force of the interested Powers, a plan involving a greater ratio of reduction for a Power with superior

strength than for one with inferior strength. Admiral Okada also pointed out that according to the Japanese proposal, the total tonnage to be saved by the five great Powers as the result of the total abolition of aircraft carriers and the reduction of capital ships and first class cruisers (carrying guns above 6.1 inch calibre) would amount approximately to 1,300,000 tons.

The World Economic Conference This conference was preceded by informal inter-governmental pourparlers held in Washington in May, 1933, through the good offices of President Roosevelt of the United States, with the object of coming to some general understandings in preparation for the more formal negotiations. At these pourparlers Japan was represented by Viscount Kikujiro Ishii, veteran diplomat and privy councillor, who headed the Japanese delegation to the London Conference. The Japanese delegation also included Mr. Tsunéo Matsuura, Ambassador in London, and Mr. Eigo Fukai, Vice-Governor of the Bank of Japan. Mr. Sotomatsu Kato, counsellor of the Japanese Embassy in London, acted as secretary-general to the delegation.

The London Conference opened on June 12, and on the second day of the plenary session Viscount Ishii delivered an address on behalf of the Japanese Government, expressing Japan's willingness to co-operate and emphasizing the urgent need of "a free interchange of world commodities on a basis of equality", adding that it was "highly desirable that there should be an unrestricted application of the most favoured nation clause" and that the conference had "a great role to play" in that connection. Viscount Ishii also declared that it was the earnest desire of the Japanese Government to offer its co-operation in bringing

about conditions favourable to eventual restoration of the gold standard. He went on to say:

"The Japanese Government are further prepared to consider appropriate measures for the obviation of exchange fluctuations as an interim step pending the final return to the gold standard. The Japanese Government also concur in the view that in the present circumstances a policy of cheap money and free credit should be pursued internationally and to a certain degree. In view of her trade connections with silver-using countries, Japan will give due consideration to proposals for an appropriate solution of the silver problem."

Regarding commodity prices, the speaker said careful consideration should be given to the question of raising of price levels, and warned the delegates that in approaching this and other related problems, "a distinction should be drawn between the steps to be adopted immediately and measures of a more permanent nature."

During the following sessions of the conference, however, a series of unforeseen difficulties arose and finally the exchange problem proved an unsurmountable stumbling block, wrecking the parley officially on July 27, when the plenary session was declared adjourned indefinitely. Efforts were made by some delegates to avert failure. In this connection, it may be remembered that during a meeting of the conference bureau Viscount Ishii suggested that discussion should be continued on questions other than the exchange problem instead of adjourning the conference altogether.

The Indo-Japanese Trade Issue The trade relations between Japan and India received a serious setback in 1933 when notice was served Japan in April through the British Gov-

ernment of the abrogation on October 10, 1933, of the Indo-Japanese Trade Convention of 1905.

This step was followed by an increase of the import duty of the Indian Government on Japanese cotton fabrics from 50 per cent. to 75 per cent. ad valorem on June 6, 1933. The duty on British cotton fabrics remained at 25 per cent. This drastic action on the part of the Indian Government caused the Japanese cotton spinners to boycott Indian cotton, and the situation was such that the British Government suggested the opening of negotiations between the industrial and trade interests of Japan, India and Great Britain in the hope of finding a solution.

Opinion was divided among industrialists in Japan with regard to acceptance of the British proposal, but it was finally decided to send representatives both to London and Simla for conference on the cotton problem with representatives of the British and Indian interests. For the Simla conference, which was scheduled to be held on September 22, with the British and Indian delegates present, Mr. Setsuzo Sawada, former chief of the Japanese Bureau of the League of Nations, Mr. Suzumu Terao, chief of the Trade Bureau of the Commerce and Industry Ministry, and Mr. Tetsuichiro Miyaké, Consul-General at Calcutta, were appointed to represent the Japanese Government, although they were not given full powers because the British Government had made it known that any agreement to be reached at Simla was subject to the approval of the British Government, while no official assurance was obtainable as to whether such an agreement would be adopted by the British Government without modification. Mr. Sawada and Mr. Terao and their party sailed for India from

Kobé on August 24, 1933.

The conference to be held in London is of an entirely unofficial nature, no Government official of either Japan or Great Britain being expected to attend. The parley will be confined to industrial and trade representatives from both countries.

Relations with the League of Nations

Japan's connection with the League of Nations began with the inception of the international organization in April, 1919, when the Covenant was officially adopted at Paris, and came to a virtual end on March 27, 1933, when Japan gave notice of her withdrawal from membership on grounds of dissatisfaction with the dealings of the Geneva body with the Sino-Japanese dispute, particularly with the report adopted by the League Assembly on February 24 and the recommendations for the settlement of the problem as contained therein. Her membership will not, of course, be officially withdrawn for two years after the notice, in accordance with the provisions of the League Covenant.

Contribution to League's Work During the period of her participation in the activities of the League Japan made a material contribution to its work. In the Secretariat of the League, too, Japanese co-operation was by no means negligible, Dr. Inazo Nitobé and Dr. Yotaro Sugimura having served as Assistant Secretary-General in succession until early March, 1933, shortly before Japan's virtual withdrawal. What follows is a cursory review of Japan's relations with the League.

From the inauguration of the League until the present, Japan has served as one of the five permanent members of the Council. Moreover, she has contributed a considerable sum to the revenue of the body, her

annual subscriptions between 1926-1932 having amounted to 16.5 per cent. of the total expenditure.

The problem of general disarmament was taken up by the disarmament preparatory commission of the League in 1925. After meeting in session several times the commission submitted its draft formula for general disarmament to the Council in January, 1931 and the General Disarmament Conference was convened to meet at Geneva to discuss limitation of the military, naval and aerial armaments of all countries late in 1932, when Japan's delegates submitted their proposal regarding naval disarmament as outlined on page 185.

Relations with the Permanent Court As regards the Permanent Court of International Justice at the Hague, Japan has rendered due assistance to the League of Nations' efforts for arbitration at this court by sending jurists to sit on its benches, but she has not yet participated in the general provisions for peaceable disposal of international disputes, which were adopted at the Assembly in 1928. Nor has she decided yet on the adherence to the "optional clause" of the Hague court, which has been signed or accepted by Great Britain, France, Italy and about forty other countries, thereby expressing their willingness to accept compulsory arbitration in international disputes.

Relations with the International Labour Office Among the various conventions drafted by the International Labour Office of the League of Nations, Japan has ratified the following on the dates given in parenthesis:

(1) Convention concerning workmen's compensation for occupational diseases (November 2, 1922).

(2) Convention fixing the minimum age for admission of children

to industrial employment (June 3, 1926).

(3) Convention fixing the minimum age for admission of children to employment at sea (June 4, 1924).

(4) Convention for establishing facilities for finding employment for seamen (November 23, 1922).

(5) Convention concerning the age for admission of children to employment in agriculture (December 9, 1923).

(6) Convention concerning the compulsory medical examination of children and young persons employed at sea (June 7, 1924).

(7) Convention concerning workmen's compensation for occupational diseases (October 8, 1928). Note: this convention does not apply to such overseas dependencies of Japan as Chosen, Taiwan, Karafuto, the Kwantung Leased Territory and the mandated islands in the Southern Pacific.

(8) Convention concerning equality of treatment for national and foreign workers as regards workmen's compensation for accidents (October 8, 1928). Note: this convention also does not apply to the overseas dependencies of Japan mentioned above.

(9) Convention concerning the simplification of the inspection of emigrants on board ship (October 8, 1928). Note: this also does not apply to the above mentioned territories.

The League commission on international communication and transit has drafted several conventions, of which Japan ratified the one concerning freedom of communication in 1922, and two others concerning seaports and railway systems in 1926.

Japan's Withdrawal The relations between Japan and the League of Nations were thus quite satisfactory until September 18, 1931, when the

outbreak of the Manchurian incident in the neighbourhood of Mukden, and the steps taken by the League in this connection finally caused Japan to withdraw from the Geneva institution in March, 1933.

The developments of the Manchurian incident and the discussion of this issue by the League of Nations are reviewed elsewhere in this volume in separate chapters. An investigation of the Sino-Japanese imbroglio was made on the spot in 1932 by the commission of inquiry of the League of Nations, headed by Lord Lytton, and the report and recommendations adopted by the League Assembly on the basis of the Lytton report was what immediately caused the Japanese delegation to leave Geneva in February, 1933.

The withdrawal of the Japanese delegation from the League meetings and the departure of Mr. Yosuké Matsuoka, Japan's chief delegate, from Geneva for home, were followed by the dispatch of a notice of secession from the League of Nations by the Japanese Government on March 27, 1933. Simultaneously with the notification of Japan's withdrawal, the Emperor of Japan issued an Imperial rescript, announcing the action and the policy to be followed thereafter by his country.

Prior to this, the Japanese Government published a statement on February 26, refuting the report of the League Assembly and reiterating Japan's contentions regarding the Sino-Japanese dispute. The report adopted by the Assembly of the League on February 24, 1933, contains a statement of the facts of the Sino-Japanese dispute, in which is embodied a brief review of the developments in Manchuria and a statement of recommendations which were deemed just and proper in regard thereto by the Geneva institution but with which Japan was ex-

tremely dissatisfied. Regarding the events in the Far East as well as their historical background, the report considers the first eight chapters of the Lytton report as presenting a balanced, impartial and detailed statement of them, and reviews the developments in Manchuria in the course of a summary of the progress of the dispute before the League of Nations. The recommendations in Part V of the report also are based on the Lytton report in that they assert that the settlement of the dispute must conform to the 10 principles laid down by the commission of inquiry.

Among these principles, the one which was most objectionable to both Japan and Manchoukuo was that concerning Manchurian autonomy which reads as follows:

"The Government in Manchuria should be modified in such a way as to secure, consistently with the sovereignty and administrative integrity of China, a large measure of autonomy designed to meet the local conditions and special characteristics of the Three Provinces. The new civil régime must be so constituted and conducted as to satisfy the essential requirements of good government."

In answer to this report of the Assembly of the League of Nations, the Japanese Government in its statement published on February 26, recalled the hearty co-operation it has extended to the League of Nations from the days of its inception and pointed out the errors in the Assembly's report concerning the chief characteristics of the dispute. In regard to the recommendations contained in the Assembly's report, the Japanese statement characterized them as impracticable on the whole, and concluded as follows:

"The Japanese Government are fully convinced that the action of

the Japanese army on the night of September 18, 1931, and thereafter has never exceeded the limits appropriate to measures of self-defence, and that Manchoukuo has been founded by the spontaneous will of the people of Manchuria. Accordingly, they consider that neither the action of the Japanese army in Manchuria, nor the conclusion of the Japan-Manchoukuo Protocol is in violation of the Covenant of the League of Nations, the Nine Power Treaty, the Pact of Paris, or any other international treaty. The Japanese Government maintain that in view of the quite abnormal condition of China, where no existing authority has ever ruled the entire country, and particularly in view of the unparalleled complexity and peculiarity of the Manchurian problem, and also having regard to the anti-foreign character of the policy of the National Government, it is impossible to think of applying to the present dispute the general formulæ applicable to an ordinary international question; and they maintain, moreover, that neither any procedure which may be adopted for such an exceptional case, nor any solution thereby attained, can ever establish a precedent for ordinary cases of international dispute. Were it possible to apply ordinary formulæ, the plans adumbrated by the Assembly would themselves be ruled out of consideration as interferences with what the Assembly regards as Chinese sovereign rights.

"Unfortunately, the Assembly, through the refusal of its members to face facts, and their uncritical acceptance of the report of the commission of inquiry, has only indulged in academic and inadequate principles. The Assembly stands, if it may be so said, for mere formulæ; Japan for solid realities. Japan takes her stand on

established principles; the Assembly on preconceived hypotheses. It resulted from the refusal of the Assembly to go beyond the Lytton Report. As pointed out in the preceding part of the present statement, the new State of Manchoukuo has made rapid progress. Peace and order are superseding banditry. Commerce and industry have responded to the improved situation, to the benefit of foreigners and the people of Manchoukuo alike. This is a concrete proof of the truth of the Japanese contention that the recognition and encouragement of the Manchurian State is the only road to a satisfactory solution of the Manchurian question and to the maintenance of a lasting peace in the Orient.

"On the other hand, it appears impossible to look for any improvement in the Chinese situation in the near future, and China is likely to remain a chronic anxiety to the rest of the world. Communism has already invaded China, and the alarming extent and success of the invasion now stare her in the face. A communized China would constitute a problem for Europe and America, beside which other questions would pale into insignificance. But a Manchuria free from Chinese connection constitutes a barrier to the communistic danger in the Far East. Its value ought surely to be apparent to every statesman. It is earnestly hoped that the League of Nations will soon be led to change its attitude, to discard reliance on academic and inapplicable doctrine, and to respect and recognize the forces that are actually rendering possible the maintenance of peace in the various regions of the world. The Covenant of the League of Nations itself provides in Article 21 for the due recognition of regional understandings, and the Japan-Manchoukuo Protocol of September 15,

1932, falls incontestably within the category of understandings such as these, as the special interests of Japan in Manchuria have again and again been recognized. At the same time, Japan takes this opportunity of repeating her disclaimer of all desire for territorial gains or commercial advantage."

The notice of Japan's withdrawal, which was telegraphed to the Secretary-General of the League by the Foreign Minister, Count Yasuya Uchida, was a comparatively brief document. After emphasizing the belief of the Japanese Government that the national policy of Japan, which has for its aim to insure the peace of the Orient and thereby to contribute to the cause of peace throughout the world, is identical with the mission of the League of Nations, the notice recalls Japan's past co-operation with the League and declares that in order to render possible the maintenance of peace in various regions of the world, it is necessary to allow the operation of the Covenant of the League to vary in accordance with the actual conditions prevailing in each of these regions.

The notice also recalls Japan's efforts in Geneva to lay before the League meetings the realities in the Far East and points out that the majority of the members of the League failed either to grasp the realities or to face them and take them into proper account. Reference also is made to the report adopted by the Assembly on February 24, 1932, which tends to create a source of fresh conflict in the political arena in the Orient. It is added that the terms laid down in the recommendations contained in the report can never be of any possible service in securing enduring peace in the Far East. The final comment in the review of the League's

actions reads as follows:

"The conclusion must be that in seeking a solution of the question the majority of the League have attached greater importance to upholding inapplicable formulæ than to the real task of assuring peace, and higher value to the vindication of academic thesis than to the eradication of the sources of future conflict."

The notice concludes with the statement that for these reasons, and because of the profound differences of opinion between Japan and the majority of the League, the Japanese Government sees no room for further co-operation and gives notice of Japan's intention to withdraw from the League of Nations.

After giving this notice, Japan remains a nominal member of the League for two years, but she will not be represented at the Assembly or the Council meetings of the body during that period. However, Japan's representatives on various commissions and committees of the League which are charged with tasks of advancing international peace, culture, health and similar objectives will continue their co-operation, in accordance with the policy announced both in the Imperial rescript granted by the Emperor and the message issued by the Prime Minister, Admiral Viscount Makoto Saito, on the occasion of sending Japan's notice of withdrawal to Geneva. The passage of the Premier's message, promising Japan's co-operation for these purposes, reads as follows:

"It is, however, the traditional policy of our nation to contribute to the promotion of international peace and to the advancement of civilization throughout the world, and Japan will therefore continue to participate in such international enterprises as will be inaugurated for

the purpose of furthering the welfare of mankind. Nor is it necessary to say that this country does not propose to shut itself up in the Far East, but on the contrary will endeavour to strengthen the ties of friendship with other Powers and to uphold the cause of equity and justice."

Relations with Soviet Russia

After the Siberian expedition in which Japan participated from 1918 until 1920, diplomatic relations were not restored between the Japanese and Russian Governments until 1924, although Japan had withdrawn her troops from Siberia few years previously.

After her participation in the World War, Japan concluded an agreement with Russia on July 3, 1916 for the purpose of preventing Russia from making peace with Germany independently of the other Allies. At this time there was a rumour that the two countries had concluded an offensive and defensive alliance. Following the establishment of the communist régime in Russia, in 1917, Japan sent the 3rd and the 12th divisions and a part of the 7th division to Siberia between August and October of 1918, in compliance with a proposal from the United States, in order to enable some 50,000 Czechoslovak troops (formerly prisoner of war taken by the Russian from the Austrian armies) to establish contact with the Allied armies in the East. This expedition to Siberia automatically disrupted the diplomatic relations between Japan and Russia, and even after the Czechoslovak troops had re-established liaison with the other allied armies, the Japanese remained in Siberia with fresh troops relieving the first expeditionary forces. The American and other foreign troops were withdrawn early in 1920,

but Japan in spite of the demand for withdrawal by the Soviet Government of Irkutsk on March 11, 1920, continued to station her troops in the vicinity of Vladivostok and Habarovsk for the professed purpose of protecting the Japanese residents there. On March 18 and 19, 1920, partisan troops attacked the Japanese consulate, Nikolaevsk, killing all the officials and guards. On March 31, the Japanese Government issued a statement to the effect that Japan had no territorial designs in Siberia, but that the withdrawal of troops was impossible in the circumstances. Japan maintained relations with the Far Eastern Republic, constituted an independent state in February, 1921, until January, 1922, when this region was incorporated in the U. S. S. R.

With a view to restoring diplomatic relations with Soviet Russia, with which she shared interests on the Asiatic mainland, Japan undertook to negotiate with the Russian representatives on several occasions at Changchun and Dairen. Such efforts were resumed in 1923 in Tokyo, where M. Joffe and Mr. Toshihiko Kawakami met in conference officially representing Soviet Russia and Japan respectively, through the good offices of Count Shimpei Goto, but no satisfactory results were forthcoming. It was at Peking that the diplomatic relations between the two countries were resumed officially on January 20, 1925, when Mr. Kenkichi Yoshizawa, the Japanese Minister there, succeeded in concluding an agreement with M. Kharahan, the Soviet representative, after seven months' negotiations.

The Fishery Dispute The first fishery convention between the two countries had been concluded in 1907, and after the resumption of Soviet-Japanese relations, efforts were made for its revision and, following the

visit to Russia by Count Shimpei Goto in this connection, the revised convention was signed on January 24, 1928, remedying such provisions as had proved disadvantageous to the Japanese and otherwise improving the pact to meet the new situation. However, this revision was later found to be imperfect and disputes arose one after another between the Japanese fishing interests and the Soviet authorities regarding the details of the fishery convention.

Among other issues in this connection the most notable in recent years was that concerning the exchange rate of the rouble. This dispute originated in the inspection of the Vladivostok office of the Bank of Chosen by the local Soviet authorities and the subsequent prohibition of free transactions in rouble exchange. As a result, the Japanese fishing interests, which had been paying various taxes and rates to the Soviet authorities with Soviet currency obtainable at the Vladivostok office of the Bank of Chosen at depreciated exchange rates, now faced the necessity of exchanging the yen for the rouble at an official rate five or six times higher than the open market value. In order to settle this problem, the Japanese Government demanded that either the rents of the fishing leases or the official exchange value of the rouble be reduced, and this proposal was followed by prolonged negotiations in Moscow and Tokyo.

The negotiations were started in Moscow in October, 1930, but soon afterwards the Soviet Ambassador to Japan, M. Troianovsky, took up the dispute in Tokyo, and communicated the willingness of his Government to reduce the official exchange rate of the rouble by 25 per cent., when selling debentures of the state operated corporation, "Aco" (in charge of the Russian fishery inter-

ests), fixing the rate at 75 sen in Japanese currency. In reply Japan insisted on the rate of 30 sen for the rouble, and negotiations continued until April 26, 1931, when a compromise was reached providing that the payments of the Japanese fishing interests to the Soviet authorities during the year of 1931 should be made with "Aco" debentures to be purchased at the rate of 32.5 sen for the rouble.

In view of this dispute and other difficulties arising from the differences between the two countries in the interpretation of the provisions of the Fishery Convention, Japan proposed on June 22, 1931, to open a conference with Soviet Russia to reconsider the whole convention. After a delay of five months, Soviet Russia consented to negotiate with Japan and pourparlers were started between Mr. Koki Hirota, the Japanese Ambassador, and M. Kharahan, Assistant Commissar of Foreign Affairs of Soviet Russia, on November 27, 1931. No substantial progress, however, was made during the negotiations, which were carried on with frequent interruptions for several months.

Co-operation As an instance of co-operation between the two countries, for which efforts have not been spared, mention may be made of the conclusion of the parcels post treaty, signed by Mr. Hirota and M. Kharahan on November 23, 1931. This treaty has eliminated the inconvenience of parcels sent from Japan to European addresses being forwarded by way of either Canada or the Suez Canal.

Following the outbreak of the Manchurian incident on September 18, 1931, Soviet Russia was reported to be concentrating troops near the Soviet-Manchurian border and fear was entertained in some quarters that the Japanese forces advancing

northward might clash with the Soviet troops. However, both countries took every precaution not to cause any difficulty in this connection, with the result that the operations of the Japanese in Manchuria were carried on without any interference from the Soviet authorities, nor did the Soviet troops attempt to cross the frontier into Northern Manchuria.

Non-Aggression Pact Proposals Frequent overtures have been made by Soviet Russia with a view to concluding a non-aggression pact with Japan. This question was first broached when Mr. Kenkichi Yoshizawa visited Moscow on December 31, 1931, on his way home from Paris to be installed as Foreign Minister. Receiving Mr. Yoshizawa and Mr. Koki Hirota, M. Litvinoff, Commissar of Foreign Affairs, and M. Kharahan, proposed the conclusion of a non-aggression pact. On January 12, 1932, the Soviet Ambassador in Tokyo, M. Troianovsky, called on Mr. Inukai, then Premier and Foreign Minister, to obtain the views of the Japanese Government on this question, and a few days later Tass, the official news agency of the Soviet Government, carried a report endorsing the truth of the Kharahan-Yoshizawa conversations in Moscow and the Troianovsky-Inukai meeting in Tokyo.

The Soviet proposal was further explained by Mr. Yoshizawa, who, on his arrival in Tokyo on June 16, told the press that the Soviet Government was very eager to conclude with Japan a non-aggression pact similar to those they had concluded with Turkey, Persia, Afganistan and Lithuania. However, no great enthusiasm was evinced in government circles in Japan regarding this proposal, which was little discussed by the press until the late autumn of 1932, when a special dispatch to

the Tokyo Nichinichi, dated from Mukden October 22, reported that the Government had sought the counsel of the headquarters of the Kwantung army in Manchuria on this question. According to this report, General Nobuyoshi Muto, commander of the Kwantung army, replied that the local military authorities were in favour of the non-aggression pact project provided that conditions necessary for Japan's defence were accepted by Soviet Russia.

When Mr. Yosuké Matsuoka, the chief Japanese delegate to the League of Nations, visited Moscow on his way to Geneva on November 4, 1932, this question seems to have been taken up anew during his conversations with M. Kharahan, after which Mr. Matsuoka is quoted as having said:

"M. Kharahan told me that he could not understand why Japan was hesitating to conclude a non-aggression pact with Soviet Russia despite the fact that the latter had no ambition in the Far East and was seeking friendly relations with Japan in particular."

Since then, however, no further steps have been taken in the matter on either side.

The 1932 Oil Contract An oil contract between the Soviet authorities and Mr. Kojiro Matsukata, former president of the Kawasaki Dockyard Company, was concluded on September 16, 1932, after negotiations in Moscow lasting only a week. According to reports, it was agreed that the Soviet authorities would ship oil to Japan chiefly from Baku by Soviet boats sailing from the Black Sea. The first shipment of Soviet oil under this contract arrived at Yokohama early in August 1933, aboard a Norwegian oil tanker chartered by Soviet Russia, and caused acute competition with Brit-

ish and American oil in the Japanese market. This shipment weighed approximately 10,000 tons and was to be followed by others at regular intervals.

Negotiations for Sale of the N. M. R. Through the good offices of the Japanese Government a conference was opened in Tokyo on June 26 between representatives of Soviet Russia and Manchoukuo regarding the proposed sale of the North Manchuria Railway (formerly the Chinese Eastern Railway). Japan took no active part in the railway negotiations, except that a few Japanese officials attended the sessions as observers.

Proposed Commercial Treaty A proposal for the conclusion of a commercial treaty between Japan and Soviet Russia was reported to have been discussed several times between Mr. Tamekichi Ota, the Japanese Ambassador to Soviet Russia, and the Moscow Government, during 1933, but there is no tangible indication of the plan materializing immediately.

Relations with the United States

The mutual friendship of Japan and the United States largely hinges upon their respective interests on the Asiatic continent, most notably in Manchuria and China proper. The United States first made it known in 1899 that she had an equal claim in China to that of other Powers by advocating the so-called Open Door policy. The United States thought it necessary to assert this principle in order to catch up with the other Powers, which had already acquired extensive interests in China, and it followed naturally that the Americans should sympathize with Japan in her desperate attempt in 1904-5 to force Russia out of Manchuria and leave the region open to all nations interested.

ests), fixing the rate at 75 sen in Japanese currency. In reply Japan insisted on the rate of 30 sen for the rouble, and negotiations continued until April 26, 1931, when a compromise was reached providing that the payments of the Japanese fishing interests to the Soviet authorities during the year of 1931 should be made with "Aco" debentures to be purchased at the rate of 32.5 sen for the rouble.

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The Soviet proposal was further explained by Mr. Yoshizawa, who, on his arrival in Tokyo on June 16, told the press that the Soviet Government was very eager to conclude with Japan a non-aggression pact similar to those they had concluded with Turkey, Persia, Afganistan and Lithuania. However, no great enthusiasm was evinced in government circles in Japan regarding this proposal, which was little discussed by the press until the late autumn of 1932, when a special dispatch to

the Tokyo Nichinichi, dated from Mukden October 22, reported that the Government had sought the counsel of the headquarters of the Kwantung army in Manchuria on this question. According to this report, General Nobuyoshi Muto, commander of the Kwantung army, replied that the local military authorities were in favour of the non-aggression pact project provided that conditions necessary for Japan's defence were accepted by Soviet Russia.

When Mr. Yosuké Matsuoka, the chief Japanese delegate to the League of Nations, visited Moscow on his way to Geneva on November 4, 1932, this question seems to have been taken up anew during his conversations with M. Kharahan, after which Mr. Matsuoka is quoted as having said:

"M. Kharahan told me that he could not understand why Japan was hesitating to conclude a non-aggression pact with Soviet Russia despite the fact that the latter had no ambition in the Far East and was seeking friendly relations with Japan in particular."

Since then, however, no further steps have been taken in the matter on either side.

The 1932 Oil Contract An oil contract between the Soviet authorities and Mr. Kojiro Matsukata, former president of the Kawasaki Dockyard Company, was concluded on September 16, 1932, after negotiations in Moscow lasting only a week. According to reports, it was agreed that the Soviet authorities would ship oil to Japan chiefly from Baku by Soviet boats sailing from the Black Sea. The first shipment of Soviet oil under this contract arrived at Yokohama early in August 1933, aboard a Norwegian oil tanker chartered by Soviet Russia, and caused acute competition with Brit-

ish and American oil in the Japanese market. This shipment weighed approximately 10,000 tons and was to be followed by others at regular intervals.

Negotiations for Sale of the N. M. R. Through the good offices of the Japanese Government a conference was opened in Tokyo on June 26 between representatives of Soviet Russia and Manchoukuo regarding the proposed sale of the North Manchuria Railway (formerly the Chinese Eastern Railway). Japan took no active part in the railway negotiations, except that a few Japanese officials attended the sessions as observers.

Proposed Commercial Treaty A proposal for the conclusion of a commercial treaty between Japan and Soviet Russia was reported to have been discussed several times between Mr. Tamekichi Ota, the Japanese Ambassador to Soviet Russia, and the Moscow Government, during 1933, but there is no tangible indication of the plan materializing immediately.

Relations with the United States

The mutual friendship of Japan and the United States largely hinges upon their respective interests on the Asiatic continent, most notably in Manchuria and China proper. The United States first made it known in 1899 that she had an equal claim in China to that of other Powers by advocating the so-called Open Door policy. The United States thought it necessary to assert this principle in order to catch up with the other Powers, which had already acquired extensive interests in China, and it followed naturally that the Americans should sympathize with Japan in her desperate attempt in 1904-5 to force Russia out of Manchuria and leave the region open to all nations interested.

The Four-Power Treaty For the same reason the United States objected to Japan's occupation of Shantung during the World War. The result was that Japan formally restored the territory to China on May 17, 1919 and at the Washington Conference, 1921-22, agreed to complete evacuation thereof. The Four-Power Treaty concerning the insular possessions of the signatories in the Pacific and the Nine-Power Treaty regarding the sovereignty and the open door principle of China, which were signed at the Washington Conference, also had a more important bearing upon Japan and the United States than on the other signatories. The Four-Power Treaty provided that the signatories should mutually respect the right of the Powers regarding their respective insular possessions in the Pacific and also that in case a dispute arose regarding such rights with likelihood to prove detrimental to the peaceful relations between the powers concerned, the parties involved in such a dispute should call a joint conference of the other signatories to discuss settlement of the entire issue. So far as Japan is concerned, however, this provision applies only to Karafuto, the Pescadores and her mandated islands in the Southern Pacific. The most important provision in this treaty for Japan is embodied in its fourth article which stipulates that the Anglo-Japanese alliance, which had been concluded at London on July 13, 1911, should terminate simultaneously with the conclusion of this treaty.

The Nine-Power Treaty The Nine-Power Treaty also has an important bearing on Japan in that it consolidated the open door policy in connection with China, where Japan has greater interests than any other foreign country, especially in Manchuria. This treaty was invoked

against Japan both by the United States and the League of Nations in connection with the Manchurian incident.

In the first article of this treaty, what are known as Root's four principles were incorporated, providing, first, that the sovereignty and independence as well as the territorial and political integrity of China should be respected, second, that most perfect and unrestricted opportunities should be offered China in order that she might be able to establish and maintain a powerful and stable government, third, that efforts should be made to establish and maintain the principle of equal opportunity for commerce and industry to be undertaken by people of all nationalities throughout the territory of China, and fourth, that the signatories should refrain from utilizing conditions in China to seek special rights or interests detrimental to the interests of the subjects or citizens of other friendly nations, or from recognizing actions detrimental to the welfare of such friendly nations.

The Immigration Question In view of the agitation in the United States against Japanese labour, the Tokyo Government has taken every precaution not to aggravate this issue and from 1907, when what is known as the "Gentleman's Agreement" was concluded, Japan continued to restrict emigration to the United States by withholding passports from intending emigrants above a limited number.

However, on August 19, 1913 the State of California promulgated the Alien Land Law (the Webb Bill) prohibiting Japanese and other aliens ineligible for citizenship from owning land, in spite of three protests by Baron Suteimi Chinda, Japanese Ambassador in Washington. In 1919, the Japanese Government took the

further precaution of stopping the emigration of so-called "picture brides" to the United States, but nevertheless an ever increasing anti-Japanese sentiment continued to prevail in the United States, and on April 19, 1920, the Federal Immigration Bureau revised the regulations governing the entry of the adopted children of Japanese parents. Moreover, the State of California enacted a second law of exclusion barring the Japanese and other aliens from leasing land, or owning land in the name of corporations or from operating land owned in the name of their American-born children.

The immigration problem assumed its greatest gravity in 1924, when the United States Congress passed a new federal immigration law, which included a provision absolutely prohibiting immigration of Japanese labourers. While this bill was before Congress, the Japanese Government instructed its ambassador at Washington, Mr. Masanao Hanihara, to call the attention of the United States Government to the importance attached by the Japanese to the proposed legislation. The steps taken by Mr. Hanihara, however, resulted in provoking the American sentiment owing to a phrase "grave consequences" which he used inadvertently in a communication to the Secretary of State, Mr. Hughes.

When the United States President signed the bill on May 24, 1924, the Japanese Government sent in a strong protest but could not improve the situation in any way. The Japanese people took this action on the part of the United States as a serious insult to their national honour. Mr. Albert Johnson, chairman of the Immigration Committee of the House of Representatives of the United States Congress, who is the

author of this immigration bill, intimated several years ago that he had the intention of proposing revision of the law, but there is yet no immediate prospect of such a project materializing, and the immigration problem still remains as a sore point in the relations between the two countries.

Other Issues The attempted intervention in the Manchurian and Shanghai affairs in 1931 and 1932 by the American Secretary of State, Col. Henry L. Stimson, which at one time seemed to menace seriously the relations between Japan and the United States, is dealt with in Chapter VII.

The installation in office of Mr. Franklin D. Roosevelt, democrat, on March 4, 1933, as President of the United States is expected in Japan to prove instrumental in improving Japan-American relations, in particular in connection with the Far Eastern policy of the United States.

Except in connection with the Manchurian incident, there has been no direct diplomatic contact of any major importance between Japan and the United States during the past few years. The only events worth notice are the visit paid by Mr. Yosuké Matsuoka to the United States on his way home from Geneva and the participation of Viscount Kikujiro Ishii, Japan's chief delegate to the world economic monetary conference held in London on June 12, 1933, in the preliminary conversations in Washington.

During his trip in the United States, Mr. Matsuoka called on President Roosevelt and Secretary of State Cordell Hull in Washington on March 31, and later delivered lectures in several places to explain Japan's position in the Far East, particularly in respect of the Manchurian incident, to the American public. He was warmly received

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everywhere he went.

Viscount Ishii held a series of informal conferences with President Roosevelt in Washington before leaving for London. During these conversations, Viscount Ishii was reported to have discussed the possibility of the concluding of an arbitration treaty between Japan and the United States, although official circles in Washington later denied that the United States President had committed himself in this connection.

Chronological Index of Principal Events

For the convenience of reference a chronological index of principal events in the country's foreign relations is appended:

OPENING OF THE COUNTRY

- 1853—Arrival of American fleet.
- 1854—First Japanese-American Treaty.
- 1856—Arrival of first American civil envoy, Townsend Harris.
- 1857—Harris concludes convention with the Shogunate.
- 1858—Japanese-American Commercial Treaty signed.

OCCUPATION OF TSUSHIMA BY RUSSIA

- 1851—A Russian fleet seizes the island of Tsushima but abandons it shortly afterwards through the intervention of Great Britain.

BOMBARDMENT OF KAGOSHIMA AND SHIMONOSEKI

- 1863—A British fleet bombards Kagoshima city.
- 1864—A combined fleet of Great Britain, the United States, France and the Netherlands bombards Shimonoseki.

IMPERIAL SANCTION OF TREATIES

- 1865—Treaties with Britain, France, the Netherlands, Russia and the United States are sanctioned by the Emperor.

TREATY REVISION

- 1871—Prince Iwakura's mission leaves for the United States and Europe.
- 1882—Count Inouye's Negotiations with Britain.
- 1888—Count Okuma's Negotiations.
- „ Viscount Aoki's Negotiations.
- 1894—Revised Anglo-Japanese Treaty signed.
- 1897—Similar Treaties concluded with other Powers.

THE PERUVIAN SLAVE SHIP INCIDENT

- 1872—Japanese Government seizes Peruvian slaver "Maria Luz" in Yokohama.

EXPEDITION TO TAIWAN

- 1872—Japan sends a punitive expedition to the island.

EXCHANGE OF SAGHALIEN AND THE KURILE ISLANDS

- 1875—Japan cedes Saghalien to Russia in exchange for the Kurile Islands.

BONIN ISLAND PROBLEM

- 1875—The United States recognizes Japan's territorial sovereignty over the Bonin Islands.

CONVENTION OF TIENTSIN

- 1885—Count Ito and Li Hong-chang sign the convention defining Sino-Japanese relations in Korea.

NON-ALIENATION OF FUKIEN PROVINCE

- 1889—Japan guarantees the non-alienation of Fukien province from China.

SINO-JAPANESE WAR

- 1894—Japan declares war.
- 1895—Treaty of Shimonoseki concluded.

ANGLO-JAPANESE ALLIANCE

- 1902—Alliance signed in London.

RUSSO-JAPANESE WAR

- 1904—Japan declares war.
- 1905—Treaty of Portsmouth signed.

JAPANESE-AMERICAN ARBITRATION TREATY

- 1905—Treaty signed in Washington, D. C. on Feb. 11.

PROTECTORATE OF KOREA

- 1905—Protectorate convention concluded.

PEKING TREATY

- 1905—Sino-Japanese convention embodying relevant terms of Portsmouth Treaty signed.

EXCLUSION OF JAPANESE SCHOOL CHILDREN IN CALIFORNIA

- 1906—Movement is started in California for exclusion of Japanese children from common schools.

FRANCO-JAPANESE AND RUSSO-JAPANESE AGREEMENTS

- 1907—Franco-Japanese Convention concluded.
- 1907—Russo-Japanese Agreement concluded.

NEW JAPAN-KOREAN AGREEMENT

- 1907—New Agreement concluded allowing Japan complete supervision of Korean domestic administration.

IMMIGRATION PROBLEM IN CANADA

- 1907—Japan exchanges on Dec. 3 a memorandum with Canada in connection with the immigration problem.

U.S.-JAPAN ARBITRATION TREATY

- 1908—Treaty concluded on Sep. 12.

JAPAN-AMERICAN ACCORD

- 1908—Official Notes exchanged regarding the preservation of peace in the Far East.

ANTUNG-MUKDEN RAILWAY ISSUE

- 1909—An agreement is signed on Aug. 15 between Japan and China regarding the Antung-Mukden Railway.

PROPOSAL TO NEUTRALIZE THE SOUTH

MANCHURIA RAILWAY

- 1910—Japan refuses on Jan. 21 to accept the proposal of Secretary of State Knox of the United States regarding neutralization of the South Manchuria Railway.

RUSSO-JAPANESE AGREEMENT

- 1910—A new agreement is concluded on July 4 between Japan and Russia regarding the maintenance of the status quo in Manchuria.

FINAL TREATY REVISION

- 1910—Japan notifies Great Britain and 10 European countries on July 17 that existing treaties will be revised a year later. On August 4, similar notices are served to France and Austria-Hungary.

ANNEXATION OF KOREA

- 1910—Treaty of Annexation concluded.

INTERNATIONAL COPYRIGHT TREATY

- 1910—Japan signs the International Copyright Treaty in Berlin on September 8.

FRANCO-JAPANESE AGREEMENT REGARDING PATENTS AND COPYRIGHT

- 1911—An agreement is concluded on May 8, regarding patents and copyright in China.

NEW ANGLO-JAPANESE TREATY

- 1911—Treaty concluded on the basis of the arbitration treaties between Great Britain and the United States.

PUBLICATION OF THE REVISED TREATIES

- 1911—The United States publishes revised treaty with Japan on April 5. Great Britain, Spain, and Sweden do likewise on April 6, May 15 and July 18 respectively. Italy, Belgium, Denmark, the Netherlands, Switzerland and Canada publish revised treaties with Japan simultaneously on July 15, followed by Germany, Austria-Hungary and France on July 16, August 3, and August 26 respectively.

SETTLEMENT OF RUSSO-JAPANESE INDEMNITIES

- 1911—The Foreign Office announces that the amounts of the indemnification of private Russian and Japanese subjects for damage done during the Russo-Japanese War have been determined.

RECOGNITION OF THE REPUBLIC OF HUNGARY

- 1911—Japan accords recognition on September 13.

RUSSO-JAPANESE EXTRADITION CONVENTION

- 1911—Convention concluded on September 13.

ANTI-JAPANESE ALIEN LAND LAW IN CALIFORNIA

- 1913—Passage of the so-called Webb Bill.

NANKING INCIDENT

- 1913—Negotiations regarding the Kunchow, Hankow and Nanking incidents are concluded on October 7, the Chinese accepting all the Japanese demands.

MANCHURIA RAILWAY TREATY

- 1913—A treaty is concluded between Japan and China regarding the railway building concessions.

RECOGNITION OF THE CHINESE REPUBLIC

- 1913—Japan recognizes the Republic of China on October 6 simultaneously with the election of Yuan Shih-kai as President.

ABOLITION OF FOREIGN SETTLEMENTS IN CHOSŌN

- 1914—The protocol abrogating the foreign settlements in Chosen, signed on April 20 the preceding year, is published.

THE GREAT WAR

- 1914—Japan declares war on Germany and Austria.

SINO-JAPANESE PARLEYS

- 1915—The Chinese Government requests Japan on January 8 to delimit the war zone in Shantung and withdraw her troops from that zone. Accordingly, Minister Hioki in Peking holds a conference with Yuan Shih-kai on January 18 to discuss Japan's counter proposals. Japan serves an ultimatum on May 6, and the Chinese Government accepts all the Japanese proposals.

SPANISH-JAPANESE TREATY

- 1915—Ratifications of a commercial treaty are exchanged on July 10.

ANTI-INDEPENDENT PEACE AGREEMENT

- 1915—Japan participates on Oct. 10 in the agreement of the Allied powers signed in London prohibiting the signatories from concluding a separate peace with Germany.

WARNING TO CHINA

- 1915—Anticipating disturbances in connection with the apparent designs of Yuan Shih-kai to revive the Imperial government in China, Japan issues a warning to China on October 28.

PARTICIPATION IN THE ALLIED ECONOMIC CONFERENCE

- 1915—Baron Yoshio Sakatani leaves for Europe on May 1, to attend the Conference in Paris.

RUSSO-JAPANESE AGREEMENT

- 1916—The third Russo-Japanese agreement for protection of Japanese and Russian interests in the Far East is signed on July 3.

ISHII-LANSING AGREEMENT

- 1917—Japan and the United States exchange notes declaring that territorial pro-

pinquity creates special relation between countries. This exchange of opinion, published on November 7, is generally known as the Ishii-Lansing Agreement.

SINO-JAPANESE MILITARY ENTENTE

1918—Entente is concluded on May 16, and its text published by the Japanese Foreign Office on May 30.

SIBERIAN EXPEDITION

1918—Japanese participation announced.

DECLARATION OF THE RENDITION OF SHANTUNG

1919—Count Uchida, the Foreign Minister announces the restoration of complete Chinese sovereignty on May 17.

RECOGNITION OF FINLAND

1919—Japan recognizes the independence of the Finnish Republic on May 23.

CONTROL OF THE SIBERIAN RAILWAY

1919—The Siberian Railway Joint Control Conference decides on June 2 to place the Ussuri line, 531.1 km. in length, and the Heilungkiang line, 2,735.6 km. in length, under the control of the Japanese experts' department of the Siberian expeditionary forces.

SEQUESTERATION OF GERMAN PROPERTY

1919—An Emergency Imperial Ordinance is issued on June 23 announcing sequestration of German property.

SIGNING OF THE PEACE TREATIES

1919—Prince Kimochi Saionji signs the Versailles treaties at 3 o'clock in the afternoon of June 28.

PARTICIPATION IN EUROPEAN PROBLEMS

1920—Baron Chinda proposes on March 2 participation in the conference concerning the Dardanelles International Control, but the Japanese proposal is rejected owing to opposition from Great Britain, France and Italy.

DEMAND FOR THE EVACUATION OF SIBERIA

1920—The Soviet Government of Irkutsk sends an ultimatum to Japan on March 11.

NIKOLAEVSK AFFAIR

1920—Attack on Japanese consulate launched.

DECLARATION OF SIBERIAN POLICY

1920—Japanese Government issues statement re withdrawal of troops.

ANTI-JAPANESE IMMIGRATIONS

1920—Revision of regulations by the Immigration Bureau of the United States.

RENEWAL OF THE ANGLO-JAPANESE ALLIANCE

1920—The Japanese and British Governments notify the Secretariat of the League of Nations on July 14, that the duration of the Anglo-Japanese alliance will be extended for another year.

REOPENING OF THE GERMAN EMBASSY IN TOKYO

1920—Dr. Solf arrives in Japan as the first German ambassador after the Great War.

WASHINGTON CONFERENCE

1921—Conference opens with Japan participating.

THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE

1927—Conference opens with Japan participating.

THE LONDON NAVAL DISARMAMENT CONFERENCE

1930—Conference opens with Japan participating.

THE MANCHURIAN INCIDENT

1931—Outbreak occurs at Mukden.

THE JAPAN-MANCHOUKUO PROTOCOL

1932—Protocol signed whereby Japan extends *de jure* recognition to the new State.

THE WORLD ECONOMIC CONFERENCE

1933—Conference opens with Japan participating.

CHAPTER VII

THE MANCHURIAN INCIDENT

The Manchurian Incident

What is known as the "Manchurian Incident", which has attracted so much attention the world over during the past two years, causing the foundation of a new nation in Manchuria and the withdrawal of Japan from the League of Nations, was not merely a single incident, but rather a series of incidents which followed one another after an unexpected outbreak, the inevitable sequel to long-continued and growing anti-Japanese activities on the part of the old Mukden militarists, and at the same time it includes the state of affairs which prevailed in Manchuria during the eventful period.

The hostilities which occurred in Shanghai in January, 1932, as well as the threatening situation in Tientsin some time earlier are only two of the manifold ramifications of the "Manchurian Incident." The state of affairs known as the Manchurian Incident continued until the truce concluded on May 31, 1933, at Tangku between the Japanese and Chinese forces, which to all intents and purposes wound up the Jehol expedition carried out by the combined Japanese and Manchoukuo armies to pacify the province and protect the provincial people from local banditry and invading troops from the south across the Great Wall.

The Manchurian Incident was the outcome of the long continued Chinese oppression of the Japanese populace in Manchuria, both military and civil, culminating in the blasting of a section of the South Manchuria Railway near Liutiaokou by Chinese

regular troops on September 18, 1931.

Aggravation of the Situation

With the obvious intent of destroying Japan's interests in Manchuria and Mongolia, the Chinese had been in the habit of resorting to all sorts of measures calculated to violate existing treaties and inflict all kinds of oppression and insults upon Japan and the Japanese.

In doing this the Chinese had recently come to take an increasingly provocative attitude toward the Japanese, and the Sino-Japanese disputes thus caused numbered as many as 300 cases or more, the most notable of which were the Wanpaoshan affair and the murder of Captain Nakamura.

This tendency was so intensified toward the end of the first half of 1931 that there arose 12 cases of disputes between the Japanese and Chinese in Manchuria during the few months which followed.

The Railroad Explosion At 10:30 p.m. on September 18, 1931, some 300 Chinese regular troops belonging to the Peitaying barracks near Mukden were observed attempting to blow up the tracks of the South Manchuria Railway line at Liutiaokou. When detected by a few Japanese railway guards, these Chinese troops opened fire on the Japanese. The fire was immediately returned by the Japanese, who, reinforced by a detachment from the Independent Railway Garrison, began an attack on the Peitaying barracks at 11:20 o'clock that night and occupied the Chinese barracks completely at 1:25

the following morning.

Parallel with this attack on the Peitaying barracks, the Japanese troops started their onslaught on the walled city of Mukden at midnight and entered the walled city at 3 o'clock on the morning of September 19.

By 11 o'clock that morning the Japanese took Tungtaying and Kuanchengtze. Nanling fell at 3 o'clock the same afternoon, and the Chinese troops at Yingkow and Fenghuangcheng were disarmed soon afterwards.

Following this, the Japanese troops arrived at Kirin at 6 p.m. on September 21. Meanwhile, the Chosen Garrison detailed a mixed brigade of 4,000 men to Manchuria across the Chosen-Manchurian frontier from Shingishu, these troops arriving at Mukden on the night of the 21st. A part of this mixed brigade made Chengchiatun and Hsinmintun the following day.

Alarmed at the outbreak of this incident, the Japanese Government reached a decision on September 19 to limit the scope of the trouble, and War Minister General Minami telegraphically instructed the commander of the Kwantung army accordingly. In consequence the main force of the Tamon Division, which had occupied Kirin, returned to Changchun on September 25 after ascertaining that there were good prospects of peace and order being restored in that district.

A temporary lull followed, although there were indications of Chinese plain-clothes troops arriving secretly to stir up disturbances. Sporadic fighting which took place outside the railway zone during this period of lull included an expedition against banditry in the vicinity of Taonan and clashes with routed Chinese troops in the interior of the Mukden district. These operations

were all of minor importance.

Along the Nonni River Chang Hai-peng, the Tao-Liao Defence Commissioner, after having declared independence on October 1, marched his troops towards Tsitsihar on October 14 with the object of taking over the Heilungkiang provincial government with the approval of the Kwantung troops.

However, when he arrived in the vicinity of Kiangchiao, his advance was checked by the troops of Ma Chan-shan and he withdrew his troops to Taonan. During the fighting between these two forces on October 15 and 16, the southern three of the five bridges spanning the Nonni river on the Taonan-Angangchi Railway were burned and destroyed by Ma Chan-shan's troops.

Now, this railway, though owned by the Chinese, is a line built with a loan from the South Manchuria Railway. Upon a protest from the railway authorities, Ma Chan-shan's troops promised to repair the damaged railway bridges, but failed to keep their word. Thereupon, the Taonan-Angangchi Railway Bureau and the South Manchuria Railway requested the Kwantung army to protect the Japanese engineers engaged in repairing the bridges.

Ma Chan-shan's troops having promised not to take hostile action against them, a detachment of the Kwantung army started in the direction of Tahsing on November 4; but their advance was opposed by Ma Chan-shan's troops, and a clash ensued. During the hostilities here the Japanese were reinforced twice and Ma's troops were routed and fled in the direction of Angangchi.

Instead of pursuing Ma's forces, the troops on the spot under orders from the Government sent representations to Ma Chan-shan between October 8 and 11 urging him to accept a peaceful settlement. But Ma

refused to accept it and advanced his troops southward again, apparently planning to lay siege to the Nonni detachment of the Kwantung army.

To forestall him the commander of the Tamon Division decided in self-defence to remove all causes of danger by counter action and after a few skirmishes ordered a general attack on Ma's troops at 8:40 a.m. on October 18. The enemy in the vicinity of Sanchienfang soon began falling back, and the Japanese reached Angangchi at noon, continuing their advance until they came to Tsitsihar, which was some 12 miles away, at 10 o'clock that night.

At noon on the following day, the Japanese troops entered the walled city of Tsitsihar, while Ma Chan-shan fled to Kushan and thence to Hailun. However, on November 8, Ma Chan-shan reached an agreement with Major Miyazaki of the special service corps of the Japanese army, promising to cease resistance to Japan.

Air Raid on Chinchow On September 27 Chang Hsueh-liang, the former warlord of Mukden, established the Defence Army and the Provisional Government of Liaoning Province at Chinchow on the Peiping-Mukden railway, appointing Chang Tso-hsiang and Mei Chun-lin respectively as commander of the army and acting chairman of what was known as the Provincial Government of Chinchow. This apparently represented the young Mukden warlord's desperate attempt to regain power in Manchuria.

This attempt on the part of Chang Hsueh-liang greatly encouraged the routed Chinese troops and bandits in various places to resume their activities. Therefore the Kwantung army sent out 11 airplanes including some bombers on October 8 to bomb Chiaotung University, where the

provincial government had opened its offices, and the headquarters of the frontier defence army and other military barracks.

Tientsin Affair

Serious disturbances took place on November 8 at 10 p. m. at Tientsin, which was under the control of Wang Shu-chang, chairman of the provincial government of Hopei, and Chang Hsueh-ming, mayor of Tientsin, both being of the Chang Hsueh-liang faction.

The disturbances were stirred up by a body known as the Autonomous Nation-Saving Army, headed by Chang Pi, who was a representative of General Feng Yu-hsiang, a rival of Chang Hsueh-liang for hegemony in North China.

This body sent out plain-clothes troops to stage a sudden raid on the Chinese section of the city and clashed with the troops of the Public Peace Bureau, thereby menacing the safety of the Japanese concession.

Thereupon, Lieutenant-General Kashii, commander of the Japanese garrison in China, ordered preparation for defence, at the same time requesting the Public Peace Bureau troops to withdraw to a line 300 metres from the Concession border with a view to avoiding hostilities between the Japanese and the Chinese.

Instead of immediately complying with this request, the Chinese opened fire and caused some casualties among the Japanese, who thus were forced to respond to the firing at 6 o'clock on the morning of November 9.

On that morning, the commanders of the Japanese, American, British and French garrisons in Tientsin held a conference and fixed the assignment of defence for each garrison force.

On October 10 the Japanese con-

sul-general, Mr. Kuwashima, reached an agreement with Chang Hsueh-ming, and on the following day another agreement was concluded between Major Miura, a Japanese staff officer, and Wang Shu-chang and Chang Hsueh-ming.

Regardless of these agreements, the Chinese continued firing, and on the night of November 26, when quiet seemed to be gradually returning, following the conclusion of an agreement on the night of the 15th between Wang Shu-chang and Lieutenant-General Kashii which provided, firstly, for the control of anti-Japanese propaganda, secondly, for the withdrawal of anti-Japanese military preparations, and thirdly, for the policing of the 300-metre zone outside the concession only by police armed with pistols, the Chinese renewed heavy firing on the Japanese concession on the pretext that they were fighting plain-clothes troops.

Strong protests from the Japanese failed to stop the hostilities of the Chinese, who again at about 2 p. m. on November 29 renewed their firing with fresh vigour, whereupon the Japanese garrison sent an ultimatum to the Chinese, at the same time notifying the foreign consulates of this step.

At 11 o'clock on that night, however, the Chinese sent a delegation to the headquarters of the Japanese garrison to promise to withdraw the armed "public peace" troops to the north of the southern canal, and to remove all barricades set up in the city. The Chinese soon did as they had promised, so the Japanese reinforcement, which had been sent for following the renewal of firing by the Chinese, was sent back to its original base.

Suppression of Bandits

The failure to advance on the

Liaohsi district by the Northeastern People's Defence Army, led by Ling Yin-ching, which was routed in a counter-attack by Chang Hsueh-liang's troops, greatly encouraged the bandits in the Liaohsi district and about 500 mounted bandits advanced on Paichipu on November 23, staging a raid on the Japanese consulate at Hsinminhsien.

Thereupon, the Japanese army sent out an anti-bandit expedition, which reached Jaoyangho on the 27th and was planning to attack Tahushan the following morning, when it was suddenly recalled to its original base.

After this the bandits became more and more active, and a large body of them, apparently acting as the outposts of the Chinchow army, for a second time began advancing on Tienchuangtai, Liaochung and Paichipu, thus seriously menacing peace and order in other places, as well as endangering the new Manchurian régime.

This coincided with the acceptance by the League of Nations' Council on December 10 of Japan's reservation of the right to suppress bandits. Therefore, the Japanese army asked for reinforcements from Japan proper and started an expedition on December 19 to suppress the bandits in the area west of the South Manchuria Railway line and east of the Tahushan-Tungliao line.

On the 22nd, a detachment of the expedition occupied Fakumen, which was the seat of the headquarters of the bandits, while the Second Division commanded by Lieutenant-General Tamon made Tienchuangtai and Niuchuangcheng on the 23rd. On the 31st, the Japanese reached Koupangtze and were going to attack Chinchow.

However, before this, the Chinchow army began withdrawing within the Great Wall on the 30th in pursuance of an order from Chang

Hsueh-liang, completing the evacuation of Chinchow on the 31st.

Therefore the Japanese forces entered Chinchow unresisted between January 2 and 4, 1932.

The arrival of the Japanese troops put a complete end to the exclusion of the authority of the Chang family from Manchuria and greatly facilitated the development of the new North-eastern régime, though the bandits in the Liaohsi district, North Manchuria and along the Antung-Mukden line still continued their activities.

Among the more serious bandit outrages which followed were the raid on the vicinity of Hsinmintun on January 4 and 5, the attack on Tiehling on January 7 and the counter-attack on Chihsi on January 9. It was during the last-named engagement that Lieutenant-Colonel Koga, a regiment commander, was killed and a transport corps commanded by Sub-Lieutenant Matsuo was annihilated.

After these occurrences the Japanese sent a third expedition to the Liaohsi district and suppressed all bandits there in two weeks, restoring peace and order in that district temporarily, at least.

Occupation of Harbin

In the Harbin district, the Provincial Army of Kirin under Governor Hsi Hsia failed to reach an agreement with the allied forces of Ting Chao, commander of the railway guards of the Chinese Eastern Railway, and Li Tu, and hostilities began on January 27, 1932, between these two opposing forces.

During these hostilities, the anti-Kirin army gradually revealed anti-Japanese leanings, looting Japanese newspaper offices and the homes of some Koreans.

They also assailed and killed some Japanese officers who were forced to

land while flying over that vicinity on a reconnoitering flight, thus menacing the safety of the Japanese residents in Harbin, numbering about 5,600.

Therefore the Kwantung army detailed the Hasebé Brigade to Harbin on January 28, after publishing an explanatory statement. This detachment having met with obstruction on its northward advance in the southern suburbs of Harbin, the Tamon detachment was sent on February 1 to reinforce it. These Japanese troops in spite of the resistance of the anti-Kirin army entered Harbin on February 5 and took charge of peace preservation in the city, while the anti-Kirin troops fled in the direction of Hulan, thus putting an end to major disturbances in Manchuria.

Founding of Manchoukuo

The outbreak of the Manchurian Incident having resulted in the overthrow of the old régime of Chang Hsueh-liang, various groups came to declare independence in different districts of Manchuria.

Among others, Hsi Hsia was appointed Governor of Kirin by the new provincial government which declared the independence of that region at Kirin on September 29, 1931; Chang Ching-hui, governor of the special district of Harbin, also declaring the independence of Heilungkiang province on the same day. The organization of this new provincial government of Heilungkiang was completed on January 1, 1932.

In Jehol, Tang Yu-lin declared independence on September 29, while in Fentien province, Yen Chin-kai and Yu Chung-han organized what they called the local peace preservation committee, which was followed by the organization of the Liaoning provincial government on October 10 with Yu Chung-han as Chief of

the Self-government Guiding Board.

In the open mart of Mukden, the Japanese were in charge of municipal administration immediately after the outbreak of the original trouble, but their duties were taken over by Dr. Chao Hsin-po on his installation as mayor of Mukden on October 20.

Meanwhile, the Self-government Guiding Board of the Liaoning provincial government continued its activities to promote the coordination of the various provinces and districts of Manchuria, and on February 17, 1932, the North-eastern Administrative Committee was organized, this body announcing the plans for the founding of Manchoukuo the following day.

This committee comprised in its membership Tsang Shih-i of Fengtien province, Hsi Hsia of Kirin province, Chang Ching-hui of the Harbin special district, Ma Chan-shan of Heilungkiang province, Tang Yu-lin of Jehol province, two Mongolian princes and others.

The chief principles of the projected new government as announced by this committee called for the suppression of the military cliques, co-operation with the rest of the world in line with the principle of the open door and equal opportunity for all, elimination of anti-foreignism, and promotion of the welfare of the people in place of the oppression and grinding taxation from which they had hitherto suffered.

Thus, on March 1, 1932, a manifesto was promulgated announcing that Manchoukuo was founded in response to the unanimous aspirations of the 30,000,000 people of Manchuria and Mongolia. On March 7, Mr. Henry Pu-yi, who had once reigned over the entire territory of China as the 12th Emperor of the Ching dynasty, consented to become the Chief Executive of Man-

choukuo. This was followed by the installation in office of Mr. Henry Pu-yi and the ceremony celebrating the founding of Manchoukuo at Changehun on March 9, thus inaugurating the new nation officially. (For particulars see Chapter XLV.)

Activities of Bandits

Activities of bandits, apparently calculated to disturb the new nation, continued despite the founding of Manchoukuo. According to the report of the Japanese delegation at Geneva submitted to the Secretariat of the League of Nations, the cases of bandit raids in the vicinity of the railway zone of the South Manchuria Railway numbered 574 during the first ten days of March, 1932, 417 during the second ten days of the same month, 612 during the last ten days of the same month, and 539 during the first ten days of April.

Nevertheless, bandit activities have since tended to decrease in intensity in proportion as the new state gradually augmented its power until the reported death of Ma Chan-shan in North Manchuria, which was thought to point to an early complete suppression of all banditry throughout Manchuria.

It was at this juncture that Chin Kuo-lu, former battalion commander of the public peace troops of Shenyang-hsien, who had fled following the discovery of the plot of Chang Feng-chi, chief of the police bureau of Shenyang-hsien, and others, boldly attempted to carry out their old plot with the assistance of volunteer troops of Chang Hsueh-liang towards the end of July.

Starting their activities on the night of July 31, these plotters attacked Yingkow, Haicheng, Nantai, Suchiatun, Liaoyang, Hsinking and other places along the South Manchuria Railway lines to the great

embarrassment of the Japanese troops, who, however, managed to disperse the bandits and prevent any serious damage in the railway zone.

After this, banditry still remained rife in various places of Manchuria, and at midnight on August 28 and again early on the morning of September 1, a large force of bandits attempted an onslaught on the walled city of Mukden, but were repelled by the Japanese troops. As in all other cases, it is regarded as certain that Chang Hsueh-liang was pulling the wires behind these attacks.

Mr. Ishimoto Kidnapped Mr. Gonshiro Ishimoto, an unofficial employé of the Kwantung army, was kidnapped on his way to Chinchow where he had expected to report on the conference which he had held with the representatives of Jehol at Peipiao on July 17 at the request of Manchoukuo.

It was found later that Mr. Ishimoto had been kidnapped by volunteer troops of Tang Yu-lin in pursuance of a secret order which the latter had received from Chang Hsueh-liang. On receiving a strong protest from the Japanese troops, the Jehol authorities accepted all the Japanese demands and promised to rescue Mr. Ishimoto; but although they were repeatedly urged to carry out their promise, there was no sign of the missing man.

Thereupon, relations between the Japanese and the Jehol authorities faced a rupture and a clash between the two forces seemed inevitable. Owing to the good offices of mediators, however, a compromise was effected and on August 7 the Jehol authorities renewed their agreement to deliver Mr. Ishimoto to the Japanese.

In spite of all this, hopes of Mr. Ishimoto's rescue dwindled, as the Jehol authorities were ordered by

Chang Hsueh-liang to send Mr. Ishimoto to Peiping, who was later found killed on the way.

The Armed Immigrants With the founding of Manchoukuo, the Japanese Government began planning to send immigrants into Manchoukuo. Various civic bodies in the country also undertook to sponsor emigration to the new country. Among others the War Ministry planned to lead the other emigration projects by organizing a body of armed settlers following the suppression of Ma Chan-shan's influence in North Manchuria late in July, 1932.

According to this plan, which was prepared at the request of the Overseas Ministry, a body of 500 armed immigrants chosen from among the army reserves is to be sent twice a year to Manchoukuo, the first district selected for this immigration being Han, which is also known as Sanhsing.

For this purpose it is estimated that between ¥10,000,000 and ¥15,000,000 will be expended during the period of ten years, over which the immigration project is to extend, in sending 10,000 armed immigrants to Manchoukuo, the expenses needed averaging between ¥1,000 and ¥1,500 per head.

Japan and Manchoukuo

The Japanese Envoy On August 8, 1932, General Nobuyoshi Muto was appointed commander of the Kwantung army with concurrent offices as Ambassador Extraordinary and Minister Plenipotentiary to Manchoukuo and Governor of the Kwantung Leased Territory.

Prior to the departure of General Muto for his new post in Manchoukuo on August 20, the Foreign Office explained that the ambassador was commissioned to deal with all diplomatic relations between Japan and Manchoukuo as in the case of the

similar envoy sent to the Omsk Government of Admiral Rolchak in 1917.

Recognition of Manchoukuo The Japanese Government extended de jure recognition to Manchoukuo on September 15, 1932, when the protocol completing this procedure was signed at the Chief Executive's offices in Hsinking between General Muto representing Japan and Premier Cheng Hsiao-hsu representing Manchoukuo.

The official English translation of this protocol follows:

Whereas Japan has recognized the fact that Manchoukuo, in accordance with the free will of its inhabitants, has organized and established itself as an independent State; and

Whereas Manchoukuo has declared its intention of abiding by all international engagements entered into by China in so far as they are applicable to Manchoukuo;

Now the Governments of Japan and Manchoukuo have, for the purpose of establishing a perpetual relationship of good neighbourhood between Japan and Manchoukuo, each respecting the territorial rights of the other, and also in order to secure the peace of the Far East, agreed as follows:

1. Manchoukuo shall confirm and respect, in so far as no agreement to the contrary shall be made between Japan and Manchoukuo in the future, all rights and interests possessed by Japan or her subjects within the territory of Manchoukuo by virtue of Sino-Japanese treaties, agreements or other arrangements or of Sino-Japanese contracts, private as well as public;

2. Japan and Manchoukuo, recognizing that any threat to the territory or to the peace and order of either of the High Contracting Parties constitutes at the same time a threat to the safety and existence of the other, agree to co-operate in

the maintenance of their national security; it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchoukuo.

The present Protocol shall come into effect from the date of its signing.

The present Protocol has been drawn up in Japanese and Chinese, two identical copies being made in each language. Should any difference arise in regard to interpretation between the Japanese and the Chinese texts, the Japanese text shall prevail.

The Shanghai Affair

The Causes Anti-Japanese feeling in China was increasingly accentuated following the Wanpaoshan affair, the conflict between Koreans and Chinese in Chosen and the Manchurian incident in particular. Among other places Shanghai was the scene of most vigorous and organized anti-Japanese activities, which culminated in the publication of an article disrespectful to the Imperial family of Japan by the Minkuo Jipao, a Chinese newspaper in Shanghai, in January, 1932. Shortly afterwards there occurred an assault on two Japanese Buddhist priests and three Japanese Buddhist believers of the Nichiren sect by a mob of workers of the Sanyu Business Company, manufacturers of towels, on January 18, when all of the Buddhist group were seriously wounded, one of them dying later on January 24.

Indignation among the Japanese residents in Shanghai over this outrage was such that they immediately held a mass meeting and lodged a strong protest with Wu Tieh-cheng, mayor of Shanghai. Apart from this protest, 32 members of the Young Men's League of Shanghai visited the Sanyu Business Com-

pany on the morning of January 20 to demand an apology, but were attacked by the Chinese, some of the Japanese being killed or wounded in the scuffle which ensued.

This occasioned another mass meeting of the Japanese residents and a subsequent demonstration parade of some 1,000 Japanese along North Szechwan Road, resulting in a clash between the Japanese demonstrators and Chinese mobs. This disturbance was quelled through the efforts of the Japanese naval authorities to pacify the rioters, but was followed by the calling of another mass meeting of the Japanese residents on January 23, when a resolution was adopted urging the authorities concerned to make their protests effective.

The Ultimatum Meanwhile, Consul-General Murai had filed an official protest with Mayor Wu of Shanghai demanding an apology from the mayor, the arrest and punishment of the marauders, payment of solatiums and expenses of medical treatment for the injured and also immediate dissolution of anti-Japanese organizations.

Rear-Admiral Shiozawa, commander of the Japanese squadron in Chinese waters, also announced that he was determined to take such measures as might be deemed necessary in order to protect Japanese rights and interests in case the Chinese failed to give a satisfactory reply and live up to their commitments.

Nevertheless, Mayor Wu would not accept all the Japanese demands readily, while the Minkuo Jipao published a report on January 21 erroneously alleging that the Japanese marines were responsible for the attack on the Sanyu Business Company. A demand for an apology immediately filed with the newspaper by the Japanese marines

was met by an extremely insincere reply. This drove the marines to try to lock up this Chinese newspaper office by armed force, but ultimately the marines left this affair to the discretion of the Municipal Bureau of Shanghai in compliance with an offer of arbitration from this bureau. Upon this, the Municipal Bureau sent a squad of foreign and Chinese policemen to the Minkuo Jipao to close its offices on January 26, thus forcing this Chinese paper to suspend its publication.

However, the anti-Japanese agitation among the Chinese grew more and more intense day after day, and on January 24 the Chinese held what they called a mass meeting of the citizens of Shanghai, followed by the sending of a representation to the mayor of Shanghai from several anti-Japanese organizations urging him to keep a strong attitude against the Japanese, while the hostile preparations on the part of the Chinese troops were noticeably progressing.

Seeing this situation, Consul-General Murai sent an ultimatum to the Chinese with a time limit set for 6 p. m. on January 28 and received a reply from Mayor Wu promising to suppress the anti-Japanese agitators and accept all the Japanese demands. Therefore, Consul-General Murai notified the consular corps that the Chinese reply was perfectly satisfactory.

Opening of Hostilities

On the evening of January 28, however, Chinese crowds gathered around the municipal offices of Shanghai loudly accusing the mayor of having weakly yielded to the Japanese, and a serious situation threatened to prevail in all parts of the city, with the result that the Municipal Bureau of the International Settlement had to declare

a state of siege, the foreign garrison forces taking up their positions in their respective areas of defence.

In this connection the Japanese force was assigned to the vicinity of Honan Road, the area north of Soochow Creek, and North Szechwan Road and the neighbourhood of its eastern section, while the Japanese volunteers were ordered to take care of the vicinity of Hongkew.

At 11 o'clock that night Rear-Admiral Shiozawa, commander of the Japanese squadron, published a statement expressing the desire that, as the Japanese navy was sending troops to Chapei, where grave anxiety was being felt over the safety of the Japanese residents, in order to maintain peace and order in that district, the Chinese authorities would move the Chinese troops in Chapei to the west of the railway line and withdraw all hostile defence works in that district.

Following this announcement, the Japanese marines and volunteers left the headquarters of the landing party and proceeded southward along North Szechwan Road, and passing North Honan Road, were about to advance in the northwestern direction towards the railway line, when they clashed with the Chinese police and plain clothes troops on Hongkew Road and an alley leading to the Chinese section of Chapei. Thereupon a number of Chinese regular troops arrived on the scene to reinforce the Chinese police and plain clothes troops and thus hostilities were started between the Japanese and the Chinese.

Confronted with this development, the Japanese navy was obliged to carry out an air raid on Chapei Station and armoured trains of the Chinese which happened to be standing in its vicinity on January 29; a truce was arranged at 8 o'clock that evening through the good of-

fices of the British and the American consuls-general.

The Armistice This truce, however, was broken by the Chinese who resumed bombardment on the 30th, thus making the situation extremely dangerous.

Consequently, the Japanese Government sent a land force comprising the 9th and the 11th Divisions, a mixed brigade and part of the 16th and the 1st Divisions and some other troops to Shanghai, the first group of these troops landing in Shanghai on February 15.

On arrival of the land force, the Japanese army commander and Consul-General Murai sent an ultimatum demanding the withdrawal of the Chinese troops to a distance of 20 kilometres from the International Settlement by 9 p. m. on February 20.

Having received no sincere answer from the Chinese by the time specified in the ultimatum, the Japanese started a general offensive on the first line positions of the Chinese army simultaneously with the expiration of this time limit.

Due to geographical disadvantages and the effective defence works of the Chinese, this offensive failed to make rapid progress, and the fighting was confined to the line of Wosung, Kiangwan and Chapei until February 25, when the Ueda detachment succeeded in breaking through the central sector of the Chinese, forcing the 19th Route Army to commence a general retreat.

On March 1, the new reinforcements under the command of General Yoshinori Shirakawa landed at Liuhochen on the bank of the main reach of the Yangtzekiang and advanced southward to attack the Chinese from the rear at Tachangchen and Chenju. This sent the Chinese

fleeing in a disorderly retreat, and the Japanese occupied Chenju and Nansiang and completely drove out the Chinese troops from the Chapei district.

On the completion of this achievement, General Shirakawa, commander of the Japanese expeditionary forces, and Vice-Admiral Nomura, commander of the Japanese fleet, ordered suspension of all hostilities at 2 p. m. on March 3.

Bombing Outrage On April 29 an unprecedentedly tragic bombing outrage took place in Shanghai. This incident occurred during the celebration of the Emperor's birthday held at Hongkew Park in Shanghai. At 11:30 o'clock, just when those present had finished singing "Kimigayo," the Japanese national anthem, a bomb was thrown on to the platform where General Shirakawa, commander of the Japanese expeditionary forces, Vice-Admiral Nomura, commander of the Third Fleet, Mr. Mamoru Shigemitsu, the Japanese Minister to China, Lieutenant-General Ueda, Consul-General Murai, Mr. Kawabata, chairman of the administrative committee, and Mr. Tomono, chief secretary of the Japanese residents' association, were standing.

The explosion of the bomb wounded all of these men, some of them very seriously, and Mr. Kawabata died soon afterward from his wounds. General Shirakawa also died on May 26 as a result of the injuries then received. The malefactor was caught on the spot. Examination disclosed that he was a Korean named In Ho-kichi, living in the French Concession. It being suspected that he was supported by a body of Koreans, 12 Koreans were apprehended as possible confederates during the two days following the incident.

Sino-Japanese Issue and the League

Japan's Attitude Following the outbreak of the Manchurian Incident, the Council of the League of Nations held an urgent session in compliance with a request of Dr. Alfred Sze, the Chinese representative, on September 22, 1931, and after a debate between Mr. Kenkichi Yoshizawa, the Japanese delegate, and Dr. Sze, the President of the Council, Senor Lerroux of Spain, moved a resolution on the basis of an address then delivered by Lord Robert Cecil of Great Britain, authorizing the President of the Council:

1. To make an urgent appeal to the Governments of China and Japan to refrain from any act which might aggravate the situation or prejudice the peaceful settlement of the problem;

2. To endeavour, in consultation with the Chinese and Japanese representatives, to find adequate means of enabling the two countries immediately to withdraw their respective troops without the lives of their nationals and the safety of their properties being endangered.

This resolution was adopted unanimously. In carrying out the latter provision of the resolution, it was arranged that the President of the Council would co-operate with the representatives of Great Britain, France, Germany and Italy, thus necessitating the organization of the five-power committee.

The Council also decided to transmit to the United States Government, for its information, the minutes of the Council's meeting and relative documents.

Accordingly the Japanese and the Chinese Governments were immediately notified of this resolution and the United States Government was also furnished with the documents

relating to this resolution.

The Japanese reply to the League of Nations regarding this resolution attracted attention in that, with regard to paragraph 2, it contained representation amounting to refusal to allow interference on the part of the President of the Council with the Sino-Japanese negotiations concerning the withdrawal of the Japanese troops.

Japan's Reply Meanwhile the United States sent its reply to the League of Nations on September 23, at the same time conveying to the Japanese and the Chinese Governments its peaceful desires. To this the Japanese Government immediately replied, and on September 24, it published a statement, stressing the following points:

1. The Manchurian Incident originated from outrages on the part of the Chinese.

2. The prevailing situation forced the Japanese troops to act quickly in order to remove all causes of danger.

3. The Japanese troops have already returned to the railway zone after attaining this objective.

4. The Japanese Government, at a Cabinet Council on September 19, decided on a policy looking toward the prevention of further aggravation of the situation. The enlargement of the area occupied by the Japanese troops and the sending of a reinforcement from the Chosen garrison which followed, are not to be taken as tending to aggravate the situation.

5. That the Japanese Government has no territorial designs in Manchuria needs no fresh explanation. What the Japanese Government aims at is to enable the Japanese nationals in Manchuria to enjoy opportunities to engage in various peaceful enterprises without anxiety and to participate in the development of

the region with their capital or labour. The Japanese Government is willing to co-operate with the Chinese Government with perfect sincerity in carrying on constructive measures conducive to eliminating all causes of evils for the future, instead of allowing the present regrettable incident to prejudice the diplomatic relations between the two countries.

The League Adjourns Following the publication of this statement, the intentions of Japan gradually came to be understood by the Powers, and the League Council adjourned on September 30 after adopting a resolution, the important points of which follow:

1. The Council notes the steps already taken by the Chinese and Japanese Governments in response to the urgent appeal made by the Council on September 22.

2. The Council recognizes the importance of the statement of the Japanese Government that it has no territorial designs in Manchuria.

3. The Council notes the statement of the Japanese representative that his Government intends to continue as rapidly as possible the withdrawal of its troops, which is already in progress, to the railway zone, in proportion as the safety of the lives and property of Japanese nationals is effectively assured, and that it hopes to be able to carry out this intention in full as speedily as possible.

4. The Council notes the statement of the Chinese representative that his Government will assume responsibility for the safety of the lives and property of Japanese nationals outside the railway zone as the withdrawal of the Japanese troops continues and the Chinese local authorities and police forces are reestablished.

5. The Council is convinced that

both the Chinese and Japanese Governments are anxious to avoid taking any action calculated to disturb the peace and good understanding between the two nations, and notes that both the Chinese and Japanese representatives have given assurances to the effect that their respective governments will take all necessary steps to prevent any extension of the scope of the incident or any aggravation of the situation.

6. The Council requests both parties to do all in their power to hasten the restoration of normal relations between them, and for that purpose to continue and speedily complete the execution of the undertakings mentioned above.

7. The Council requests both parties to furnish it at frequent intervals with full information with regard to developments in connection with the situation in Manchuria.

It was also resolved on this occasion that the Council should meet again on October 14 if need be in order to "consider the situation as it then stood," at the same time the hope was expressed that Japan would continue withdrawing her troops in the meanwhile.

Situation Grows Worse

Activities of Council The situation, however, threatened to grow worse when, on October 8, the air raid on Chinchow was reported, and on the following day Japan lodged a protest against the anti-Japanese movement and sent a naval force to South China.

In view of this situation, the League Council, which was scheduled to meet on October 14, was convened on the 13th, advancing the schedule by one day. This meeting was presided over by M. Aristide Briand, the French representative. At the outset of the session Mr. Kenkichi Yoshizawa, the Japanese

representative, made a lengthy statement explaining Japan's relations with Manchuria since the Three-Power intervention after the Sino-Japanese War in an attempt to elucidate the fundamental nature of the Manchurian problem.

For three days from October 14, the Council discussed the question of the proposal to invite an observer of the United States to attend the Council meeting. The Japanese representative objected to this proposal from a juridical viewpoint, but at a private session held on the 15th, the Council passed this proposal as a question of "procedure" by a majority vote with Japan alone dissenting.

Accordingly the United States was represented by Mr. Prentiss Gilbert, the American consul-general at Berne, as an observer at the Council meeting from October 16.

At its private session on October 17, which is known as the 13-power conference because of the absence of the Japanese and Chinese representatives, the Council, with the attendance of the American observer, resolved that the 13 Powers take steps to call the attention of Japan and China to the Kellogg-Briand anti-war pact with regard to the Manchurian situation.

Consequently the Powers interested sent notes to Japan and China to that end, and the Japanese Government replied to these notes on the basis of a decision reached at an urgent meeting of the Cabinet held on October 22.

Japan Replies The reply of the Japanese Government to the identic notes of the different Powers concerning the Manchurian affairs follows:

1. The Japanese Government realizes as fully as any other Signatories of the Pact of Paris of 1928, the responsibility incurred under the

provisions of that solemn Pact. They have made it clear on various occasions that the Japanese railway guards, in taking military measures in Manchuria since the night of September 18 last, have been actuated solely by the necessity of defending themselves as well as of protecting the South Manchuria Railway and the lives and property of Japanese subjects, against wanton attacks by Chinese troops and armed bands. Nothing is farther from the thoughts of the Japanese Government than to have recourse to war for the solution of their outstanding differences with China.

2. It is their settled aim to compose those differences by all pacific means. In the Note of the Japanese Minister for Foreign Affairs to the Chinese Minister at Tokyo dated October 9, the Japanese Government have already declared their readiness to enter into negotiations with the responsible representatives of China for an adjustment of the present difficulties. They still hold to the same view. So far as they are concerned, they have no intention whatever of proceeding to any steps that might hamper any efforts intended to assure the pacific settlement of the conflict between Japan and China.

3. On the other hand, they have repeatedly called the attention of the Chinese Government to the organized hostile agitation against Japan now in progress in various parts of China. The suspension of all commercial intercourse with Japanese at present practised in China is in no sense a spontaneous act of individual Chinese. It is enforced by anti-Japanese organizations that have taken the law into their own hands, and are heavily penalizing, even with threats of capital punishment, any Chinese who may be found disobeying their

arbitrary decrees. Acts of violence levelled against Japanese residents also continue unabated in many places under the jurisdiction of the Government of Nanking. It will be manifest to all fair observers of the actual situation that those activities of the anti-Japanese organizations are acquiesced in by the Chinese Government as a means to attain the national ends of China. The Japanese Government desires to point out that such acquiescence by the Chinese Government in the lawless proceedings of their own nationals cannot be regarded as being in harmony with the letter or the spirit of the stipulations contained in Article II of the Pact of Paris.

Briand's Proposal During this interval M. Briand, President of the Council, and Mr. Yoshizawa, the Japanese representative, held a conference to discuss the possibility of settling the Sino-Japanese imbroglio.

In the course of this conference M. Briand proposed a tentative plan to Mr. Yoshizawa, suggesting that Japan recognize the sovereignty of China in Manchuria, that China suppress her anti-Japanese agitation, boycott and anti-Japanese education, that China guarantee the safety of the lives and property of the Japanese nationals in China, that China recognize the right of Japanese nationals to reside, travel and engage in business in Manchuria, and that China confirm before the League of Nations the rights vested by all the existing treaties including what is known as the "Twenty-one Demands."

There were indications of these five proposals, if accepted by China, proving instrumental in improving the situation by making it possible for Japan to start direct negotiations with China regarding the concrete procedure of the withdrawal of the Japanese troops.

The situation, however, underwent a sudden change for the worse for an unknown reason, and at its session of October 22 the Council proposed to make Japan complete the withdrawal of her troops by November 15 with neutral observers seeing to it that perfect peace and order would be maintained after the Japanese evacuation, and to make Japan and China appoint their respective representatives to take charge of the evacuation of the occupied area, it also being suggested that Japan and China start direct negotiations immediately after the completion of the evacuation.

These proposals were regarded as the most disadvantageous ones to Japan that had ever been considered by the Council.

The Counter Proposal Against this, the Japanese representative, Mr. Yoshizawa, submitted a counter-proposal to the Council on the 23rd to the effect that the Japanese Government should withdraw those of its troops still remaining in a few localities outside the railway zone as the then-prevailing atmosphere of tension cleared and the situation improved, by the achievement of a previous understanding between the Chinese and Japanese Governments as regards the fundamental principles governing normal relations, that the Japanese and Chinese Governments should confer together at once with a view to arriving at the understanding as mentioned above, and that the Japanese and Chinese Governments should appoint representatives to arrange the details of execution of the evacuation and of taking over the districts evacuated.

Regarding this counter-proposal, Lord Cecil of Great Britain asked Mr. Yoshizawa what Japan meant by "fundamental principles," but Mr. Yoshizawa did not disclose the nature of those principles, saying

that he would publish it after obtaining permission of his Government. This seems to have caused considerable misgivings on the part of those present.

The Japanese counter-proposal was defeated by a vote of 13 to 1, and the Council's resolution also failed to pass by a unanimous vote, the vote being 13 to 1 in favour of the Council proposal, the Japanese representative dissenting.

The "Fundamental Principles"

The Five Principles Following this, the Japanese Government published a statement on October 26, regarding the "fundamental principles" which, as we have said, had apparently caused such serious misgivings at the Council meeting. In this statement, which was also communicated to M. Briand, president of the Council, Japan made it clear that these so-called "basic principles" related to:

1. Mutual repudiation of aggressive policy and conduct.
2. Respect for China's territorial integrity.
3. Complete suppression of all organized movements interfering with freedom of trade and stirring up international hatred.
4. Effective protection throughout Manchuria of all peaceful pursuits undertaken by Japanese subjects.
5. Respect for the treaty rights of Japan in Manchuria.

Regarding these basic principles, M. Briand, President of the Council, later notified Japan that China had already expressed her willingness to accept the first four principles and that in regard to the fifth principle, Dr. Alfred Sze, the Chinese representative, while declaring that China would carefully respect all treaty obligations, insisted on referring Sino-Japanese disputes regarding

interpretation of the treaties to the Hague Tribunal or other organs of judicial settlement, adding his suggestion that Japan begin withdrawing her troops immediately.

Yoshizawa Replies The Japanese Government instructed Mr. Yoshizawa on November 6 to communicate Japan's reply to M. Briand, president of the Council. In the course of his reply, which was sent in under date of November 7, Mr. Yoshizawa stated:

"It is pointed out in your Note that the first four points of the five fundamental principles mentioned in the Japanese Declaration of October 26 are virtually embodied in the proposition of October 24. Your Excellency, however, will no doubt perceive that the terms of that proposition are not sufficiently explicit or comprehensive to cover the full implications of the four points in question. As regards the fifth point, viz., the guarantee of respect for Japanese treaty rights in Manchuria, the terms of the letter addressed to you on October 24 by the Chinese representative seem to give rise to some apprehension that the Chinese Government is contemplating calling in question the validity of some of the treaties constituting the basic embodiment of the relations between Japan and China. It should be needless to state that the Japanese Government cannot for a moment entertain such a contention. Nothing can be more destructive of the established order of the whole world than to permit any Power to challenge the binding force of treaties concluded with all the solemnity of international usages."

Resolution of December 10

Tension Continues The League of Nations' Council held its third session to discuss the Sino-Japanese issue on November 16, 1932. Where-

as League circles had been looking to the withdrawal of the Japanese troops by that date, the situation in Manchuria was such that Japan could not live up to their expectation, with the result that a frontal clash threatened to take place between Japan and the League of Nations.

In this connection League circles were reported advocating severance of economic relations with Japan, withdrawal of diplomatic representatives from Japan or exclusion of Japan from the League. These reports were met by an outburst of strong nationalistic sentiment in Japan and serious tension prevailed.

The Council met on November 16 as scheduled amid an atmosphere of such tension and was continued until December 10. During this interval, such notable incidents as the Japanese occupation of Tsitsihar, the subsequent negotiations between Japan and Soviet Russia, the Chinchow affair, the Tientsin incident and the appearance of a new régime in Manchuria occurred successively and attracted considerable attention the world over.

The Resolution Before adjourning, the Council adopted a resolution by a unanimous vote on December 10. This resolution in effect provided that the Japanese Government should withdraw its troops within the railway zone in proportion as the safety of the lives and the protection of the property of Japanese subjects were effectively secured and that the two parties should undertake to adopt all measures necessary to avoid any further aggravation of the situation and to refrain from any initiative which might lead to further fighting and loss of life.

This resolution further invited the two parties to continue to keep the Council informed as to the development of the situation, requested the

other members of the Council to furnish the Council with any information received from their representatives on the spot, and stipulated that a commission of five members should be appointed to study on the spot and report to the Council on any circumstance which, affecting international relations, threatened to disturb peace between China and Japan, or the good understanding between them upon which peace depended.

It was also arranged that Japan and China could each name an assessor on this commission of five members.

Regarding this resolution, the Japanese representative declared that his Government accepted the resolution on the understanding that it would not prevent the Japanese military authorities from taking action in defence of lives and property of Japanese nationals against bandits and other lawless elements rampant in various parts of Manchuria.

Opinion Adverse Just after the League Council met in its 66th regular session on January 25, 1932, troubles broke out in Shanghai and Mr. W. W. Yen, the Chinese representative, appealed to the Council on January 29 to invoke Article 15 of the League Covenant in regard to the affair.

It was apparent that in making this appeal China intended not only to deal with the Shanghai incidents in the light of the provisions of this article but to settle at the same time the Manchurian and all other Sino-Japanese disputes through examination and recommendations by the Council.

Therefore, the Japanese representative, Mr. Naotaké Sato, refuted the Chinese contention and made it clear that it was entirely unwarranted. Private conversations carried on by

Mr. Tsuneo Matsudaira, Japanese ambassador in London, who happened to be staying at Geneva to represent Japan at the Disarmament Conference, with the foreign delegates, also proved effective in assisting Mr. Sato in his efforts to advance the Japanese thesis.

Thus, at the Council meeting on January 30, it was decided that only the first paragraph of Article 15 of the Covenant would be invoked, in regard to the Shanghai incident alone. Accordingly, representatives of the neutral members of the Council organized an international committee at Shanghai to gather information on the spot and submit it to the Council.

This committee sent in four reports successively, first under date of February 6, second under date of February 12, third under date of February 20 and fourth under date of March 6. Of these, the first report was very favourable to Japan, but the second report proved decidedly unfavourable to Japan, it declaring that the Japanese and Chinese troops had been in a state of open hostilities since February 3.

Consequently, the Council caused the representatives of the 12 members of the Council other than Japan and China to address an appeal to Japan on February 16, regretting that it appeared that Japan could no longer trust to the peaceful settlement to be provided by the League of Nations.

Japan's Refutal Thereupon, in a statement published on February 23, the Japanese Government refuted this appeal in detail asserting that, although China had been treated in the past, by common consent, as if the expression connoted an organized people, such fictions could not last for ever, nor could they be tolerated when they became grave sources of actual danger. Thus the

Japanese Government declared that the time had inevitably come when realities, rather than fictions, had to be reckoned with.

This strong pronouncement was followed by a very unfavourable reaction in world opinion against Japan, and Secretary of State Stimson of the United States announced his China policy in the form of a letter addressed to Senator Borah under date of February 24, expressing his objection to Japan's contention that the general conception of China was wrong.

Views unfavourable to Japan were also expressed in various quarters about that time, and Japan's relations with the League of Nations seemed seriously menaced.

The Shanghai Armistice

A Parley Proposed On February 27, 1932, the Japanese delegation at Geneva unofficially notified the representatives of the 12 member Powers of the Council that Japan was willing to participate in a round-table conference if the Powers would sponsor such a parley at Shanghai.

The Council unanimously accepted Japan's proposal on February 29 on condition that negotiations for a local agreement regarding armistice should be conducted on the basis of an understanding that Japan had no political or territorial designs nor any intention of opening an exclusive settlement or of promoting her exclusive interests in Shanghai; and that China should participate in the proposed conference on the basis of the recognized necessity of maintaining the safety and integrity of the International Settlement and the French Concession in line with an agreement adequate to safeguard these areas and their inhabitants from danger.

The Council's resolution of February 29 accepting this proposal was

endorsed by a resolution passed by the League Assembly on March 4.

Consequent upon this, the armistice conference was officially opened at Shanghai on March 24, but the progress of the parley was delayed owing to a divergency of opinion between the Japanese and Chinese delegates regarding the time to be fixed for the final withdrawal of the Japanese troops.

During this period of deadlock China made a sudden appeal to the League of Nations on April 11, reporting a rupture of the conference.

The Mixed Committee On receipt of this appeal, the Committee of 19, organized by the League Assembly on March 11 to continue in charge of the entire Sino-Japanese issue, immediately accepted this representation and opened a session on April 16 to discuss the situation.

At its session on April 19, the Committee of 19 drafted a resolution for the Assembly with the object of breaking through the reported deadlock between Japan and China.

This resolution called for the organization of a mixed committee of representatives of Japan, China, Great Britain, the United States, France and Italy, empowered to pass judgment as to when the Japanese troops could be completely withdrawn.

This proposal was met by strong opposition from the Japanese Government as well as the military and public opinion of Japan, and another crisis arose between Japan and the League of Nations. However, thanks to the good offices of Dr. Yotaro Sugimura, Assistant Secretary-General of the League of Nations, and Dr. Haruichi Nagaoka, Japanese Ambassador to France, at Geneva, and Sir Miles Lampson, British Minister to China, at Shanghai, the situation was improved and

the League Assembly adopted the Lampson plan by a unanimous vote on April 30.

The crisis having thus passed, the armistice conference was resumed at Shanghai on April 28, and despite the occurrence of the tragic bombing outrage on the occasion of the celebration of the Emperor's birthday on April 29, an armistice was finally signed on May 5, 1932.

The Terms This armistice agreement provided that the Japanese and Chinese authorities, having already stopped hostilities, should consider the armistice as in force on and from May 5, 1932, the troops of both parties being ordered to suspend all hostilities in all forms around Shanghai as far as possible and that in case a doubt might arise in regard to the carrying out of the armistice, representatives of the friendly Powers interested should ascertain the actual conditions. The areas from which the Chinese troops should keep away were also mapped out, and it was further stipulated that the Japanese troops should withdraw within the International Settlement, but that in view of the number of the Japanese troops to be accommodated a certain number of them were to be allowed to stay in the vicinity of the Settlement for the time being.

Another provision of the agreement had it that a joint commission to be participated in by representatives of the friendly Powers interested should be organized in order to ascertain the withdrawal of troops by both parties.

This agreement was made effective immediately on the day of its signing.

Following the conclusion of this agreement, the Japanese troops immediately began withdrawing, and on May 11 an order was issued recalling the entire expeditionary

forces. The evacuation was completed soon afterwards.

The League Commission of Inquiry

The League of Nations' Commission of Inquiry, appointed in line with the resolution of December 10, 1931, and comprising the Earl of Lytton of Great Britain, Général de Division Henri Claudel of France, Major-General Frank Ross McCoy of the United States, Dr. Heinrich Schnee of Germany and Count Pldrovandi of Italy, arrived in Japan on February 29, 1932, accompanied by a party of their secretaries.

After hearing the Japanese case regarding the situation of the Sino-Japanese issue and the Japanese views as regards its causes and the plans for its settlement, the Enquiry Commission departed for China on March 11. In China, the commissioners visited the Yangtze Valley to confer with the leaders of the National Government and then proceeded to Peiping to see Chang Hsueh-liang, later entering Manchuria, where the commissioners conferred with Lieutenant-General Shigeru Honjo, commander of the Kwantung army, and other local leaders in that region.

Preliminary Report What the Commission learned during this period was presented to the League of Nations on April 29 as a preliminary report, which was prepared in accordance with the declaration of M. Briand, President of the Council, of December 10, 1931, providing that the Commission should report to the Council as early as possible in case the withdrawal of the Japanese troops within the railway zone was not carried out before the arrival of the Commission on the spot.

In the course of this preliminary report, the Enquiry Commission

stated that Manchuria was not under the authority of the Nanking Government and was infested by banditry, so that the Japanese troops could not be withdrawn, adding that the Nanking Government did not exercise its power in any part of Manchuria in the prevailing situation.

This report was accepted unanimously by the Council on May 10 for reference to the Assembly meeting in September. Following the presentation of this report, the Commission left Mukden on May 2 and visited Hsinking to see the leaders of the Manchoukuo Government and other local people, making a minute study of the organization of the government and its foreign policy, and its financial, business and communications conditions.

After this, the Commission visited Harbin on May 9 and stayed there until May 20, during which period the Commission planned to seek an interview with Ma Chan-shan, who had rebelled against the Manchoukuo Government. This aroused great resentment on the part of the Manchoukuo Government authorities, and some even went so far as to advocate requesting the Commission to leave Manchuria.

However, this question was soon settled as the Commission gave up their plan to see Ma Chan-shan, and the party returned to Mukden on May 21 by way of Hsinking.

Prior to the arrival of the Commission at Dairen, which was scheduled for May 26, two Koreans, named Ryu So-kon and Sai Ko-shoku respectively, plotted to attack the party of the League Commission with bombs in that city. However, this plot was nipped in the bud by the municipal authorities of Dairen, who, having learned of it, began combing the city about the middle of May and succeeded in arresting

the two Korean plotters on the 24th of that month. By assassinating the Commissioners the plotters had planned to prejudice world opinion against Japan. The party of the Commission left for Peiping without further incident.

In Peiping the Commission stayed about a month, and returned to Tokyo on July 4 to confer with the Japanese Government regarding the latter's plans for the settlement of the Sino-Japanese issue, before drafting the body's final report to the League of Nations.

After exchanging views with Premier Viscount Saito, Foreign Minister Count Uchida, War Minister Lieutenant-General Araki and several other leaders, the League Commissioners left Tokyo on July 15 to return to Peiping, where they started preparing their final report and finished drafting it on August 24.

The Final Report A copy of the final report of the League Commission was handed to the Foreign Office in Tokyo at 7 p.m. on September 30 by Mr. W. R. C. Green, first secretary of the British Embassy in Tokyo, acting as a proxy of Lord Lytton, chairman of the Commission.

The full text of this final report was published at 9 p.m., Tokyo time, on October 2 in Tokyo, Geneva and Nanking simultaneously.

Comprising 10 chapters and covering some 400 typewritten pages, this report begins with an outline of recent developments in China and Manchuria and describes Japan's economic interests and the Chinese boycott and also the circumstances leading to the founding of Manchoukuo, concluding with principles and conditions of settlement for the issue and considerations and suggestions to the Council.

The contents of the report are considered comparatively impartial

in its description of the outline of the history of the Sino-Japanese relations, Japan's interests in Manchuria and the general observations of the prevailing situation.

However, that the Commission gives only a cursory account of the Shanghai incident, as if this incident had been outside the scope of its investigation work, is taken to show that the Commissioners did not fully understand what their true mission was.

Further, the failure of the Commissioners to recognize the military action taken by Japan on September 18, 1931, which is dealt with in the fourth chapter of the report, as an act of self-defence, was highly resented in Japan. It is also generally held both in official and private circles in Japan that the sixth chapter of the report, in so far as the description of the circumstances pertaining to the founding of Manchoukuo is concerned, is full of prejudiced misrepresentations and that the last two chapters containing what they call "principles and conditions of settlement" and "considerations and suggestions to the Council" are for this reason practically superfluous, especially after the de jure recognition recently extended to Manchoukuo by Japan.

Report and League

Resolution of February 24 Following the publication of the Lytton Report, the League of Nations started its discussion thereon at the Council meeting convened on November 21, 1932, and, after complicated proceedings through the Assembly, the Committee of Nineteen and other committee meetings, a report with several recommendations was adopted by a vote of 42 to 1 on February 24, 1933, at the Assembly meeting, at which Siam abstained from voting and 12 countries were not rep-

resented.

The report was on the whole based upon the Lytton Report and was distinctly unfavourable for Japan and Manchoukuo, one of the recommendations contained therein purporting to recognize Chinese sovereignty and administrative integrity in Manchoukuo.

Prior to the adoption of this report, the Foreign Minister of Manchoukuo published a statement declaring that the actions the League of Nations were taking would have not the slightest effect upon the constructive programme of Manchoukuo and that the Manchoukuo Government was strongly determined to strive for the development of its rich natural resources and for the full realization of its cherished land of peace and happiness. The text of this was communicated to all the delegates attending the League of Nations sessions.

Japan's Withdrawal After voting against the report of the League of Nations Assembly on the Sino-Japanese dispute, the Japanese delegation to the League meetings, headed by Mr. Yosuké Matsuoka, left Geneva without attending further meetings of the League, thereby expressing the firm determination of Japan. Mr. Matsuoka returned home via the United States.

In Japan, the Government decided on severance from the League of Nations and submitted a project to this end to the Throne. Accordingly the Privy Council met in plenary session on March 27, 1933, in the presence of the Emperor to recommend the project for Imperial sanction with a unanimous vote.

The Throne immediately sanctioned the project, a telegram was dispatched to Geneva addressed to the Secretary-General of the League of Nations notifying the body of Ja-

pan's withdrawal from its membership, and simultaneously with this the Emperor issued an Imperial rescript announcing the policy to be followed by Japan after this action.

The official translation of the Imperial rescript follows:

"When the League of Nations came into being upon the restoration of a general peace, Our Imperial Father was pleased to order the entry of Our Empire thereinto; and We, in Our turn, have laboured assiduously to fulfil the high purpose of the late Emperor. It is thus that Our Empire has for these thirteen years past extended consistently its co-operation to the League.

"Now Manchoukuo having of late been founded, Our Empire deems it essential to respect the independence of the new state and to encourage its healthy development, in order that the sources of evil in the Far East may be eradicated and an enduring peace thereby established. Unhappily, there exists between Our Empire and the League of Nations a wide divergence of view in this regard and it has devolved upon Us to cause Our government to take, upon mature deliberation, the necessary steps for the withdrawal of Our Empire from the League.

"However, the advancement of international peace is what, as evermore, We desire, and Our attitude toward enterprises of peace shall sustain no change. By quitting the League and embarking on a course of its own, Our Empire does not mean that it will stand aloof in the extreme Orient nor that it will isolate itself thereby from the fraternity of nations. It is Our desire to promote mutual confidence between Our Empire and all the other Powers and to make known the justice of its cause

throughout the world.

"Every country is overtaken today by emergencies of an unprecedented magnitude. Our Empire itself is confronted by a situation fraught with momentous possibilities. It is indeed an hour that calls for an intensification of effort on the part of Our entire nation. We command that all public servants, whether civil or military, shall faithfully perform each his appointed duty, and that all private citizens shall pursue their wonted tasks with diligence. Stray not, in advancing, from the path of rectitude; and in action, embrace always the golden mean. Strive to meet the present situation with a united will and with courage and resolution. So may ye carry forward the glorious work bequeathed by Our Grand-sire and contribute to the prosperity and well-being of Mankind."

Jehol and Tangku Truce

Jehol Expedition The expedition carried out by the joint forces of Manchoukuo and Japan to Jehol to pacify this province of the new nation, and the subsequent truce concluded at Tangku between the hostile Chinese troops and the Japanese expedition on May 31, 1933, practically put an end to the long-protracted state of affairs popularly known as the Manchurian Incident.

The Jehol expedition, which was launched following a declaration to this end made by the Manchoukuo Government on February 26, 1933, announcing that it was dispatching without delay necessary forces "to exterminate completely all bandits within and to dislodge all the invading armies from the province," was executed with amazing speed and on March 4 a Japanese contingent occupied Chengte, the capital of the province; a few days later the Japanese troops taking several

important positions along the Great Wall.

After having been driven out of the province almost without any resistance, however, the Chinese troops continued hostile operations on the Great Wall positions from the south, and the Japanese forces were obliged to advance south across the Great Wall more than once to destroy the bases of Chinese hostilities.

The Truce In fact, on the second occasion the Japanese advanced within a few miles of Peiping and Tientsin, but they refrained from actually entering these cities, and instead succeeded in inducing the representatives of the Chinese forces to sign a truce on March 31 at Tangku, providing for a demilitarized zone between the Peiping and Tientsin districts and the Great Wall.

After ascertaining the intentions of the Chinese authorities to carry out the terms of the truce, the Japanese forces withdrew to the Great Wall line, true to their repeated declaration that they had no ulterior intention other than to maintain peace in Jehol.

Meanwhile, the Manchoukuo authorities, immediately after the paci-

fication of Jehol, started a constructive programme in the province, re-adjusting finances and mapping out plans for future industrial and economic development for the provincial people.

The Cost During the Manchurian Incident, which Japan undertook to settle at any cost in order to defend its "life line" in Manchuria, meaning thereby its vested rights and interests of vital importance to its existence, the Japanese Government expended as much as approximately ¥573,000,000 to cover all expenses required in this connection.

The expenditure of this enormous sum was extended over a period of three years, ¥88,960,000 during the fiscal year of 1931-1932, ¥252,800,000 in the main budget and ¥40,400,000 in the supplementary budget during 1932-1933, and ¥190,800,000 during 1933-1934.

The casualties sustained by the Japanese forces during various operations in connection with the Manchurian Incident included 2,897 killed and 8,483 wounded, according to the figures published by the War Ministry after the conclusion of the Jehol expedition on June 3, 1933.

CHAPTER VIII

NATIONAL DEFENCE

The Imperial Precepts to The
Soldiers and Sailors

The forces of Our Empire are in all ages under the command of the Emperor. It is more than twenty-five centuries since the Emperor Jimmu, leading in person the soldiers of the Otomo and Mononobé clans, subjugated the unruly tribes of the land and ascended the Imperial Throne to rule over the whole country. During this period the military system has undergone frequent changes in accordance with those in the state of society. In ancient times the rule was that the Emperor should take personal command of the forces; and although the military authority was sometimes delegated to the Empress or to the Prince Imperial, it was scarcely ever entrusted to a subject. In the middle ages, when the civil and military institutions were framed after the Chinese model, the Six Guards were founded, the Right and Left Horse Bureaux established, and other organizations, such as that of the Coast Guards, created. The military system was thus completed, but, habituated to a prolonged state of peace, the Imperial Court gradually lost its administrative vigour; in course of time soldiers and farmers became distinct classes, and the early conscription system was replaced by an organization of volunteers, which finally produced the military class. The military power passed over entirely to the leaders of this class; through disturbances in the Empire the political power also fell into their hands; and for about

seven centuries the military families held sway. Although these results followed from changes in the state of society and were beyond human control, they were deeply to be deplored, since they were contrary to the fundamental character of Our Empire and to the law of Our Imperial Ancestors. Later on, in the eras of Kokwa and Kaei, the decline of the Tokugawa Shogunate and the new aspect of foreign relations even threatened to impair our national dignity, causing no small anxiety to Our August Grandfather, the Emperor Ninko, and Our August Father, the Emperor Kōmei, a fact which We recall with awe and gratitude. When in youth We succeeded to the Imperial Throne, the Shōgun returned into Our hands the administrative power, and all the feudal lords their fiefs; thus, in a few years, Our entire realm was unified and the ancient régime restored. Due as this was to the meritorious services of Our loyal officers and wise councillors, civil and military, and to the abiding influence of Our Ancestors' benevolence towards the people, yet it must also be attributed to Our subjects' true sense of loyalty and their conviction of the importance of "Great Righteousness." In consideration of these things, being desirous of reconstructing Our military system and of enhancing the glory of Our Empire, We have in the course of the last fifteen years established the present system of the Army and Navy. The supreme command of Our forces is in Our hands, and although We may entrust subordinate

commands to Our subjects, yet the ultimate authority We Ourselves shall hold and never delegate to any subject. It is Our will that this principle be carefully handed down to posterity and that the Emperor always retain the supreme civil and military power, so that the disgrace of the middle and succeeding ages may never be repeated. Soldiers and Sailors, We are your supreme Commander-in-Chief. Our relations with you will be most intimate when We rely upon you as Our limbs and you look up to Us as your head. Whether We are able to guard the Empire, and so prove Ourselves worthy of Heaven's blessings and repay the benevolence of Our Ancestors, depends upon the faithful discharge of your duties as soldiers and sailors. If the majesty and power of Our Empire be impaired, do you share with Us the sorrow; if the glory of Our arms shine resplendent, We will share with you the honour. If you all do your duty, and being one with Us in spirit do your utmost for the protection of the state, Our people will long enjoy the blessings of peace, and the might and dignity of our Empire will shine in the world. As We thus expect much of you, Soldiers and Sailors, We give you the following precepts:—

(1) The soldier and the sailor should consider loyalty their essential duty. Who that is born in this land can be wanting in the spirit of grateful service to it? No soldier or sailor, especially, can be considered efficient unless this spirit be strong within him. A soldier or a sailor in whom this spirit is not strong, however skilled in art or proficient in science, is a mere puppet; and a body of soldiers or sailors wanting in loyalty, however well ordered and disciplined it may be, is in an emergency no better than a rabble. Remember that, as the

protection of the state and the maintenance of its power depend upon the strength of its arms, the growth or decline of this strength must affect the nation's destiny for good or for evil; therefore neither be led astray by current opinions nor meddle in politics, but with single heart fulfil your essential duty of loyalty, and bear in mind that duty is weightier than a mountain, while death is lighter than a feather. Never by failing in moral principle fall into disgrace and bring dishonour upon your name.

(2) The soldier and the sailor should be strict in observing propriety. Soldiers and sailors are organized in grades, from the Marshal and the Admiral of the Fleet down to the private soldier or ordinary seaman; and even within the same rank and grade there are differences in seniority of service according to which juniors should submit to their seniors. Inferiors should regard the orders of their superiors as issuing directly from Us. Always pay due respect not only to your superiors but also to your seniors, even though not serving under them. On the other hand, superiors should never treat their inferiors with contempt or arrogance. Except when official duty requires them to be strict and severe, superiors should treat their inferiors with consideration, making kindness their chief aim, so that all grades may unite in their service to the Emperor. If you, Soldiers and Sailors, neglect to observe propriety, treating your superiors with disrespect and your inferiors with harshness, and thus cause harmonious co-operation to be lost, you will not only be a blight upon the forces but also be unpardonable offenders against the state.

(3) The soldier and the sailor should esteem valour. Ever since the ancient times valour has in our

country been held in high esteem, and without it Our subjects would be unworthy of their name. How then may the soldier and the sailor, whose profession it is to confront the enemy in battle, forget even for one instant to be valiant? But there is true valour and false. To be incited by mere impetuosity to violent action cannot be called true valour. The soldier and the sailor should have sound discrimination of right and wrong, cultivate self-possession, and form their plans with deliberation. Never to despise an inferior enemy or fear a superior, but to do one's duty as soldier or sailor—this is true valour. Those who thus appreciate true valour should in their daily intercourse set gentleness first and aim to win the love and esteem of others. If you affect valour and act with violence, the world will in the end detest you and look upon you as wild beasts. Of this you should take heed.

(4) The soldier and the sailor should highly value faithfulness and righteousness. Faithfulness and righteousness are the ordinary duties of man, but the soldier and the sailor, in particular, cannot be without them and remain in the ranks even for a day. Faithfulness implies the keeping of one's word, and righteousness the fulfilment of one's duty. If then you wish to be faithful and righteous in any thing, you must carefully consider at the outset whether you can accomplish it or not. If you thoughtlessly agree to do something that is vague in its nature and bind yourself to unwise obligations, and then try to prove yourself faithful and righteous, you may find yourself in great straits from which there is no escape. In such cases your regrets will be of no avail. Hence you must first make sure whether the thing is righteous and reasonable or not. If

you are convinced that you cannot possibly keep your word and maintain righteousness, you had better abandon your engagement at once. Ever since the ancient times there have been repeated instances of great men and heroes who, overwhelmed by misfortune, have perished and left a tarnished name to posterity, simply because in their effort to be faithful in small matters they failed to discern right and wrong with reference to fundamental principles, or because, losing sight of the true path of public duty, they kept faith in private relations. You should, then, take serious warning by these examples.

(5) The soldier and the sailor should make simplicity their aim. If you do not make simplicity your aim, you will become effeminate and frivolous and acquire fondness for luxurious and extravagant ways; you will finally grow selfish and sordid and sink to the last degree of baseness, so that neither loyalty nor valour will avail to save you from the contempt of the world. It is not too much to say that you will thus fall into a life-long misfortune. If such an evil once makes its appearance among soldiers and sailors, it will certainly spread like an epidemic, and martial spirit and morale will instantly decline. Although, being greatly concerned on this point, We lately issued the Disciplinary Regulations and warned you against this evil, nevertheless, being harassed with anxiety lest it should break out, We hereby reiterate Our warning. Never do you, Soldiers and Sailors, make light of this injunction.

These five articles should not be disregarded even for a moment by soldiers and sailors. Now for putting them into practice, the all important is sincerity. These five articles are the soul of Our soldiers

and sailors, and sincerity is the soul of these articles. If the heart be not sincere, words and deeds, however good, are all mere outward show and can avail nothing. If only the heart be sincere, anything can be accomplished. Moreover, these five articles are the Grand Way of Heaven and Earth and the universal law of humanity, easy to observe and to practise. If you, Soldiers and Sailors, in obedience to Our instruction, will observe and practise these principles and fulfil your duty of grateful service to the country, it will be a source of joy, not to Ourselves alone, but to all people of Japan.

The 4th day of the 1st month of the 15th Year of Meiji.
(Imperial Sign Manual)

General

Special Position of Army and Navy
The Japanese Army and Navy are under the direct command of the Emperor and neither the Government nor the Diet has any right to interfere in the strategic actions or the number of men or ships to be maintained. In making any decision on military and naval strength or the organization thereof, the Emperor consults the Chiefs of the respective General Staffs, who are thereupon required to submit their plans direct to His Majesty. The plans are then handed to the Prime Minister, who in his turn consults the Diet as to the necessary appropriations. Thus the Diet, while powerless to interfere with the actual naval and military projects, is entitled to determine the amount to be appropriated for their execution. If, however, the Service estimates are reduced in such a way as to render the original projects impossible of execution, this is deemed to be an infringement of the Imperial Prerogative under Article XII of the Constitution.

The Board of Marshals and Fleet Admirals This Board was created in 1898 as the Emperor's highest advisory body on military and naval affairs. Its members are at present as follows:

Fleet Admiral Count Togo; Marshal H. I. H. Prince Kan-in; Marshal Viscount Ueyehara; Marshal H. I. H. Prince Nashimoto.

The Supreme War Council This is a larger advisory body which was created in 1887. Its membership includes, in addition to that of the above-mentioned Board, the Ministers of War and Marine, the Chiefs of the Naval and Military General Staffs and other generals and admirals specially nominated by the Emperor. Its functions are to advise the Emperor on all matters appertaining to war, especially on the correlation of the various departments of military administration, in the broader sense of the word. The Council may meet in sections to deliberate and tender advice on issues concerning the Army or Navy separately.

Conscription The conscription system, first introduced in 1873 and last revised in 1927, demands that all able-bodied citizens of Japan proper between the ages 17 and 40 shall serve either in the army or the navy, when called upon. At present the natives of Taiwan, Chosen, and the South Sea Islands are exempt from service. In fact, however, the general principle has never been applied, even during the Russo-Japanese War, the conflict having come to an end before the greater majority of those on the second reserve were called to the colours.

The service is divided as follows:

(1) *Jōbi hei-eki* (standing service). This is of two kinds: (a) *Gen-eki* (active service), 2 years for the army and 3 years for the navy;

(b) Yobi-eki (1st reserve service), 5 years and 4 months for the army and 4 years for the navy.

(2) Kobi hei-eki (2nd reserve service), 10 years for the army and 5 years for the navy.

(3) Hoju hei-eki (replenishment reserve service). This is divided into two categories:—(a) 1st replenishment reserve service, 2 years and 4 months for the army and 1 year for the navy, (b) 2nd replenishment reserve service, 12 years and 4 months for the army and 11 years and 4 months for the navy.

Medical Class	Description	Service to which Allocated
I, II, A and B	Fit for active service.	Active service or replenishment reserve.
III	Fit for national service, but not for active service.	National service
IV	Unfit for any service.	Exempt from all service.
V	Nature of fitness undecided (may be included in Class I or Class II, A or B, in the following year).	Allocation postponed

They are then drafted to different branches of service according to the districts to which they belong and their ability and occupation.

Those who are fit for active service (Class I, Class II, A and B) are enrolled by lottery, at each conscription district, for active service or 1st or 2nd replenishment reserve. (Volunteer enrolments for active service are accepted.) Those having finished the period of active service are placed on the 1st reserve list for terms as stated above. At the end of such terms they are removed to the 2nd reserve, and then finally to the national service. Those who have gone through the period of replenishment reserve service are also transferred to the national service.

Sole supporters of families, and criminals sentenced to over 6 years' imprisonment or penal servitude are also exempt from service. Those studying at certain schools, Government or private, which are recognized to be of equivalent or

(4) Kokumin hei-eki (national service), extending in principle for the necessary period in either arm for the man to reach the age of 40.

Men are subjected to medical examination for conscription at the age of 20, and are classed as follows:

Class I; Class II, A, Class II, B; Class III; Class IV; and Class V. They are then allocated to the various categories of service according to their medical class as follows:

superior status to that of middle schools are exempt from conscription examination until the completion of their studies or until they attain their 27th year. Those staying abroad enjoy postponement of service under similar conditions, the age limit being 37.

By virtue of a revision of the conscription law in 1927, the active service of conscripts who have finished the course of a Seinen Kunrenjo (Young Men's Training Institute) is reduced by six months, while that of the graduates from normal schools by nineteen months. In other words, the former have to serve only eighteen months and the latter only five months, instead of full two years. A similar system of short term active service has also been adopted by the Navy. The term of active service for graduates of middle schools and higher grade schools who have received full military training while at school has been reduced to 12 months for the former and 10 months for the latter.

The conscription examination of such students is postponed till they reach the age of full 27 years.

Examination for Conscription According to medical examination, con-

scripts are classified into six grades as mentioned above. The figures for the past five years, 1928-1932, were as follows:

	Total Number Examined	Class I	Class II		Class III	Class IV	Class V
			A	B			
1928	568,796	171,744	64,970	119,783	171,758	39,861	680
1929	585,519	175,979	60,872	119,721	178,790	41,075	882
1930	595,505	174,482	60,275	121,961	187,863	40,989	938
1931	619,146	178,855	72,617	124,942	200,268	42,245	724
1932	621,844	174,282	71,556	125,938	207,401	41,951	716

Statistics on height and weight ascertained through the medical examinations for recent five years, 1928-1932, are as follows:

	Average Height	Average Weight
1928	1.596 m.	52.639 kg.
1929	1.602 m.	52.823 kg.

	Average Height	Average Weight
1930	1.598 m.	52.727 kg.
1931	1.600 m.	53.007 kg.
1932	1.600 m.	52.841 kg.

The grades of education attained by men examined for conscription in recent five years, 1928-1932, were:

	University	Higher School	Middle School	Higher Elementary School	Elementary School	Elementary School (Unfinished)	Uneducated
1928	81	1,209	48,309	266,611	209,413	42,200	5,978
1929	143	2,589	50,684	284,081	205,362	36,408	5,553
1930	403	7,303	65,944	296,829	197,312	31,812	4,812
1931	1,721	11,406	65,698	313,628	192,772	28,913	5,000
1932	2,741	13,188	69,147	324,204	182,064	25,323	4,177

Of those listed above as uneducated 3,463 for 1928, 3,045 for 1929, 2,873 for 1930, 3,090 for 1931, and 2,543 for 1932 were illiterates. The ratio of illiteracy, which was 4.28 per cent. in 1903, 3.44 in 1911 and 2.17 in 1915, has been decreasing steadily, being 0.88 in 1925, 0.70 in 1927 and 0.61 in 1928.

Conscripts and Leave of Absence Conscripts may return home to attend to family business for periods varying with the necessity of the case, but in no case exceeding 14 days. This departure from the general rule was proposed in 1919 to meet the convenience of the families of conscripts and was carried into effect at once.

Courts-Martial The Court-Martial Law provides that (1) all offences committed by officers and men shall be given public trial, (2) accused persons shall be given the benefit of counsel in their defence. Provision is also made for appeal.

The Army has eight courts-martial, namely, the High, the Divisional and six other temporary ones; the Navy has seven, the High, the Tokyo, the Admiralty and four other temporary ones. Courts-martial are always composed of judges (military or naval officers), law officials (civil) and clerks. The number of these varies in accordance with the nature of the court in question.

The Army

Outline History The Army under the Imperial régime was organized

for the first time in the fourth year of Meiji (1871), when the samurai

of the Kagoshima, Kochi and Yamaguchi clans formed an Imperial Bodyguard consisting of a few battalions, and four regular army divisions were established in Tokyo, Osaka, Kumamoto and Sendai. In January, 1873, the Government adopted a conscription system, by which members of all social classes were held equally liable for military service. The divisions in Nagoya and Hiroshima, which were established that year, were the first fighting units in this country to contain members of the farmer, merchant and other non-sumurai classes. The total strength of the Japanese Army at that time was seven divisions consisting of about 36,600 men on peace standing and 46,250 on a war footing.

The number of soldiers to be mobilized was steadily increased after the Saigo Rebellion of 1877, but it was with this "cadre" of seven divisions that Japan defeated China in 1894-5. In the ten years following the Japan-China War, six more divisions were established in Asahigawa, Hirosaki, Kanazawa, Himeji, Zentsuji and Kokura, with the result that Japan was able to put nearly one million men in the field during the Russo-Japanese War of 1904-5.

Prince Yamagata's Suggestion In view of the bitter experience of the war Prince Yamagata suggested that the Army should be progressively increased to twenty-five divisions. The project was sanctioned by the Emperor Meiji, and in 1922 Japan's Army strength reached twenty-one divisions consisting of 308,000 men on peace standing. The fall of the Russian Empire during the Great War and the peaceful atmosphere developing after the Washington Conference, made it unnecessary for Japan to maintain such a large army, and as the result of a readjustment effected

between 1922 and 1924, a reduction of 1,800 officers, 56,000 men and 13,000 horses was made. This corresponds to a reduction of about five divisions on peace standing. Thus at the end of 1924, the total number of the officers and men was about 236,000. In May, 1925, four more divisions (the 13th, 15th, 17th and 18th) were abolished, an action affecting 16 infantry regiments, 4 cavalry regiments, 4 field artillery regiments, 4 engineer battalions, 4 commissariat battalions, and 1 motor-car battalion. The present strength of the Japanese Army is about 230,000, inclusive of the Taiwan and Kwantung Armies.

The following figures show the changes in the strength of the Army since its organization on modern lines:

year	men	year	men
1873	36,600	1904	230,000
1894	150,000	1925	230,000
1900	290,000	1931	230,000

New Equipment Programme In view of the superior equipment of the other military Powers, however, the authorities adopted in 1924 a new equipment programme including the establishment of 10 air companies, 6 anti-aircraft corps, and 2 regiments of tank corps each with twenty tanks, attention being given meantime to poison gas and other chemical methods of war. Part of the reorganization plan was carried out by 1927 and one of the tank corps was established at Kurumé that year, while the other attached to the infantry school at Chiba was formed some time later. An anti-aircraft regiment was established at Hamamatsu and another at the artillery school at Yotsukaido, Chiba prefecture. Two flying regiments were established in 1927 and were stationed at Hamamatsu and at Koshun in Taiwan. In connection with the new equipment programme,

the authorities enforced in 1927 a compulsory system of military education for the boys of middle and higher schools and reduced the period of active service of infantrymen from 24 months to 12 months for those completing middle school courses and 10 months for graduates of higher schools. For this purpose, over 1,000 army officers were selected from among the army divisions and attached to the schools as instructors. As a result of this new system of training, the former system of one-year volunteer service was abolished after 1927.

Army Manœuvres

Manœuvres were first held in the Nagoya district in 1890, the Imperial Guard Division, the 3rd Division, the 4th Division, and a section of the Navy taking part. But the first Grand Manœuvres under the present system took place in the Utsunomiya district in 1892. Since then there have been thirty grand manœuvres as follows:

Year held	District	Divisions Participating
1892	Utsunomiya	Guard, 1st and 2nd
1898	Osaka	3rd, 4th, 9th and 10th

Year held	District	Divisions Participating
1901	Sendai	2nd and 8th
1902	Kumamoto	6th and 12th
1903	Himeji	5th, 10th and 11th
1907	Yuki	Guard, 1st, 3rd and 15th
1908	Nara	4th, 9th, 10th and 16th
1909	Utsunomiya	2nd, 7th, 8th, 13th and 14th
1910	Okayama	5th, 10th and 17th
1911	Kurumé	6th, 12th and 18th
1912	Kawagoe	Guard, 1st, 13th and 14th
1913	Nagoya	3rd, 9th, 15th and 16th
1914	Osaka	4th, 10th, 11th and 17th
1915	Hirosaki	2nd, 7th and 8th
1916	Fukuoka	5th, 6th, 11th, and 18th
1917	Hikoné	3rd, 4th, 9th and 16th
1918	Tochigi and Kanto	1st, 2nd, 8th, 13th, 14th and 15th
1919	Settsu and Harima	4th, 10th, 11th and 17th
1920	Nakatau	6th, 12th and 18th
1921	Musashi and Sagami Plain	Guard, 1st, 3rd, 15th and 14th
1922	Western Part of Sanuki	5th and 11th
1924	Kaga and Etchu	9th, 18th and 16th
1925	Sendai	2nd, 7th and 8th
1926	Saga Plain	6th and 18th
1927	Nagoya	1st, 3rd and 4th
1928	Morioka	2nd and 8th
1929	Mito	Guards, 1st and 14th
1930	Okayama	5th and 10th
1931	Kumamoto	6th and 12th
1932	Kinki	3rd, 4th, 5th and 16th

The Grand Army Manœuvres for 1933 took place in the Fukui district in the autumn.

ARMY EXPENDITURE

Year	Running Expenses ¥	Extraordinary Expenses ¥	Total ¥
1893	12,420,000	2,301,000	14,721,000
(Just before Sino-Japanese War)			
1906	32,614,000	30,629,000	53,243,000
1903	33,353,000	7,529,000	46,884,000
(Just before Russo-Japanese War)			
1906	37,335,000	30,045,000	67,380,000
(Just after Russo-Japanese War)			
1912	80,175,000	23,950,000	104,125,000
1917	88,344,000	35,098,000	123,442,000
1923	176,224,000	47,704,000	223,928,000
1924	179,331,000	27,403,000	206,734,000
1925	170,761,000	44,044,000	214,805,000
1926	167,561,000	29,380,000	196,941,000
1927	174,190,000	43,918,000	218,108,000
1928	167,620,000	81,486,000	249,106,000
1929	178,899,000	48,356,000	227,255,000
1930	174,546,000	26,278,000	200,824,000
1931 (Outstanding account)	163,680,000	63,808,000	227,488,000
1932 (Working budget)	166,316,000	195,317,000	361,633,000
1933 (Budget)	172,018,000	275,870,000	447,888,000

Administrative Organization

Administration of the Army is conducted by the following three organs, the chiefs thereof working under direct order from the Throne:

The Ministry of War The central organ for military administration. The Ministry contains eight departments, the names and functions of which are listed below:

(a) The Minister's secretariat takes charge of all secret affairs, papers and other records, and general office work.

(b) The Bureau of Personal Affairs is in charge of all the affairs concerning the personnel of the army. It consists of two sections, the one dealing with appointments, promotion, etc., the other of decorations.

(c) The Bureau of Military Affairs is the real centre of military administration, and is responsible for the establishment of the system and organization of the Army, for the proclamation and withdrawal of martial law, and for all the affairs concerning ceremonies to be observed by the soldiers, morals and discipline among the men, the drafting of men and horses to various units, the conscription system, etc., etc.

(d) The Replenishment Bureau is divided into two sections, one for mobilization and the other for co-ordination, and is responsible for the establishment and improvement of the mobilization system, preparation and co-ordination of war supplies, improvement of military transportation, etc.

(e) The Arms and Ordnance Bureau consists of the section for rifles and guns and the section for various supplies. It is in the charge of arms, ordnance, and various supplies of war.

(f) The Intendance Bureau has four sections, the Paymaster's, Au-

dit, Clothing and Provisions, and Construction. This bureau is responsible for expenditure, the inspection of accounts, preparation of budgets, provisions, clothing, structures, etc.

(g) The Medical Bureau is responsible for all sanitary and medical arrangements among officers and men. It consists of the section for sanitary affairs and the section for medicine and surgery.

(h) The Judicial Bureau is responsible for the organization of courts-martial and all other affairs in connection with martial law.

The Ministry of War also supervises the following organizations situated in various parts of the country.

(a) The Military Aviation Bureau is the central organ for the study of military aviation, and is required to organize the education of pilots and mechanics, to supervise repairs, replenishment, and purchases of aeronautical supplies, etc.

(b) The Technical Investigation Bureau conducts researches on all technical developments likely to effect military efficiency. Inspection of ordnance and various war supplies is conducted by this bureau. Under its supervision is the Military Chemical Laboratory which conducts researches on methods of chemical warfare.

(c) The Military Technical Board. This is an organ for deliberation on all technical problems submitted by the War Minister.

(d) The Military Arsenal is responsible for the establishment of designs and plans of arms and ordnance, as well as repairs and examination of various supplies of war inclusive of gunpowder. It has branches in Osaka, Nagoya, Oji, Kokura and Heijo.

(e) The Woolen Factory at Senju is engaged in the manufacture

of woolen yarn and clothes, for military supplies.

(f) The Remount Bureau has charge of horse replenishment, including breeding and purchase.

(g) The Military Arms Depot is responsible for the purchase, storage, repairs, maintenance, supply, exchange, and scrapping of arms and ordnance. It also takes care of the guns installed in fortresses. The main office is in Tokyo and there are branches in Chiba, Osaka, Nagoya, Kokura, and Hiroshima.

(h) The Military Clothing Depot has its head office in Tokyo, and branches in Osaka and Hiroshima. It takes care of the manufacture, purchase, storage, and supply of all clothing supplies.

(i) The Military Hygienic Supplies Depot is responsible for the manufacture, purchase, storage, supply, and inspection of all hygienic supplies.

(j) The Military Depot of Provisions and Forage, with its head office in Tokyo and branches in Osaka and Ujina, is in charge of the preparation and supply of provisions and forage.

(k) The Fortifications Bureau is responsible for the construction, inspection, and maintenance of all defensive structures, besides being required to conduct researches on artillery and military engineering.

(l) The Military Transport Bureau is situated at Ujina and looks after all matters concerning the transportation of troops.

The General Staff It deliberates on military policies, national defence and strategy. It is also required to train and supervise all staff officers. The Staff College and the Land Survey Bureau are under the control of the Chief of the General Staff.

The Land Survey Bureau is responsible for the replenishment of military maps, production of maps

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The Department of Military Education It is in charge of all military schools and the training and education of officers and men, as well as the co-ordination and development of military education; aeronautical education of military aviation, however, is entrusted to the Aviation Bureau, and the training of staff officers comes under the General Staff.

The Department consists of the headquarters and sections for cavalry, artillery, engineers and commissariat.

Field Organization

The Division A division generally consists of 2 infantry brigades, 1 cavalry regiment, 1 field artillery regiment, 1 engineer battalion, and 1 commissariat battalion. To some larger divisions, a tank corps, or a mountain artillery regiment, or a heavy field artillery regiment, is attached. While a few others include a full cavalry brigade, a regiment of transport service, a regiment of telegraphists or an anti-aircraft regiment. Eight ammunition columns (4 infantry and 4 artillery), 6 field hospitals, and 1 remount depot accompany each division on service. The number of officers and men in a division is about 10,000 on peace standing and 20,000 on war strength. Divisional commanders hold the rank of Lieutenant-General, brigade commanders that of Major-General.

The Regiment An infantry regiment consists of 3 battalions and a machine-gun corps, and an infantry battalion of 3 companies of 150 men each, and a machine gun section. A company is subdivided into three sections.

A cavalry regiment, of which Japan has 25 at present, consists of 2 or 3 squadrons. Eight of these regiments are organized into four

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The Regiment An infantry regiment consists of 3 battalions and a machine-gun corps, and an infantry battalion of 3 companies of 150 men each, and a machine gun section. A company is subdivided into three sections.

A cavalry regiment, of which Japan has 25 at present, consists of 2 or 3 squadrons. Eight of these regiments are organized into four

independent cavalry brigades, while the remaining seventeen are attached one to each of the divisions. At present Japan has only one battalion (of two companies) of horse artillery. Armed motor-cars and machine-guns are, however, shortly to be included in the equipment of ordinary cavalry regiments.

Japan has 30 artillery regiments and 10 battalions, namely 15 regiments (90 batteries) of field artillery, 1 battalion of horse artillery, 4 regiments and 1 battalion (22 batteries) of mountain artillery, and 8 regiments (44 batteries) of heavy field artillery. A field artillery regiment is divided into 3 battalions, and a battalion into 3 companies on war strength. On peace strength a field artillery regiment consists of only 6 batteries each equipped with four guns. In addition there are 3 regiments and 8 battalions (34 batteries) of heavy artillery, which are responsible for the defence of fortified zones. Sometimes this heavy artillery takes part in the siege of an enemy fortress or in the bombardment of enemy trenches in co-

operation with heavy field artillery.

In peace time 1 regiment and 1 battery (5 batteries in all) of anti-aircraft artillery are maintained. It is responsible for the defence of such industrial centres as Tokyo, Osaka, Nagoya, the western part of Kyushu, and places where there are fortresses or naval ports.

Air Force Like that of the United States of America, Japan's air force is divided into units attached to the Army and Navy respectively. The Army air force consists at present of 11 reconnoitering squadrons, 11 fighting squadrons, 4 bombing companies, and 2 balloon companies, consisting of approximately 800 planes and 6,900 officers and men. The force is still small, but an expansion plan covering the establishment of more flying corps at no distant date is under consideration.

The Peace Strength A full statistical classification of the peace strength of the Army is given below. In addition to the units listed, a force of gendarmery 2,800 strong and a medical corps, about 1,500 strong are maintained.

Units	No. of Complete Regiments	No. of Additional Battalions	Total No. of Companies, Squadrons, Batteries, etc.
Infantry	70	6	730
Cavalry	25		70
Field Artillery	15		90
Mountain Artillery	4	1	99
Horse Artillery	1		2
Heavy Field Artillery	8		44
Heavy Artillery	3	8	
		(independent)	34
Engineers	17		48
Railway Corps	2		16
Telegraph Corps	2		15
Air Force	8		26
Balloon Corps		1 (corps)	2
Commissariat		15	30
Tank Corps	1		1
Anti-Aircraft Artillery	1		4

This force is divided into 17 divisions and 34 brigades and was stationed in December, 1932 as follows:

Imperial Guard Division	
Divisional headquarters	Tokyo
Headquarters of 1st Infantry Guard Brigade	Tokyo
Guard Regiments 1st and 2nd	Tokyo

Headquarters of 2nd Infantry Guard Brigade	Tokyo	Infantry Regiment 30th	Takata
Guard Regiments 3rd and 4th	Tokyo	Cavalry Regiment 2nd	Sendai
Headquarters of 1st Cavalry Brigade	Narashino	Field Artillery Regiment 2nd	Sendai
Cavalry Guard Regiment	Tokyo	Independent Mountain Artillery Regiment 1st	Takata
13th and 14th Cavalry Regiments	Narashino	Engineer Battalion 2nd	Sendai
Headquarters of 4th Heavy Field Artillery Brigade	Tokyo	Commissariat Battalion 2nd	Sendai
Artillery Guard Regiment	Tokyo	3rd Division	
Heavy Field Artillery Regiment 4th	Shimoshizu	Divisional headquarters	Nagoya
Heavy Field Artillery Regiment 5th	Tokyo	Headquarters of 5th Infantry Brigade	Nagoya
Engineer Guard Battalion; Commissariat Guard Battalion	Tokyo	Infantry Regiment 6th	Nagoya
Railway Regiment 1st	Chiba	Infantry Regiment 68th	Gifu
Railway Regiment 2nd, Telegraph Regiment 1st	Tokyo	Headquarters of 29th Infantry Brigade	Shizuoka
Air Force Regiment 5th	Tachikawa	Infantry Regiment 18th	Toyohashi
Balloon Corps	Chiba	Infantry Regiment 34th	Shizuoka
1st Division		Headquarters of 4th Cavalry Brigade	Toyohashi
Divisional headquarters	Tokyo	Cavalry Regiment 3rd	Nagoya
Headquarters of 1st Infantry Brigade	Tokyo	Cavalry Regiment 25th and 26th	Toyohashi
Infantry Regiment 1st	Tokyo	Headquarters of 1st Heavy Field Artillery Brigade	Mishima
Infantry Regiment 49th	Kofu	Heavy Field Artillery Regiments 2nd and 3rd.	Mishima
Headquarters of 2nd Infantry Brigade	Tokyo	Field Artillery Regiment 3rd	Nagoya
Infantry Regiment 3rd	Tokyo	Anti-aircraft Artillery Regiment 1st	Hamamatsu
Infantry Regiment 57th	Sakura	Engineer Battalion 3rd	Toyohashi
Headquarters of 2nd Cavalry Brigade	Narashino	Air Force Regiments 1st and 2nd	Gifu
Cavalry Regiment 1st	Tokyo	Air Force Regiment 7th	Hamamatsu
Cavalry Regiment 15th and 16th	Narashino	Commissariat Battalion 3rd	Nagoya
Headquarters of Heavy Field Artillery Brigade 3rd	Kohnodai	4th Division	
Field Artillery Regiment 1st	Tokyo	Divisional headquarters	Osaka
Horse Artillery Battalion	Kohnodai	Headquarters of 7th Infantry Brigade	Osaka
Heavy Field Artillery Regiments 1st and 7th	Kohnodai	Infantry Regiment 8th	Osaka
Yokosuka Heavy Artillery Regiment	Yokosuka	Infantry Regiment 70th	Sasayama
Engineer Battalion 1st	Tokyo	Headquarters of 32nd Infantry Brigade	Wakayama
Commissariat Battalion 1st	Tokyo	Infantry Regiment 37th	Osaka
2nd Division		Infantry Regiment 61st	Wakayama
Divisional headquarters	Sendai	Cavalry Regiment	Osaka
Headquarters of 3rd Infantry Brigade	Sendai	Field Artillery Regiment 4th	Shitayama
Infantry Regiment 4th	Sendai	Miyama Heavy Artillery Regiment Engineers	Miyama
Infantry Regiment 29th	Wakamatsu	Battalion 4th	Takatsuki
Headquarters of 15th Infantry Brigade	Takata	Commissariat Battalion 4th	Osaka
Infantry Regiment 16th	Shibata	5th Division	
The 3rd Battalion of this regiment is stationed at Muramatsu.		Divisional headquarters	Hiroshima

Field Artillery Regiment 5th	Hiroshima	Cavalry Regiment 9th	Kanazawa
Engineer Battalion 5th	Hiroshima	Mountain Artillery Regiment 9th	Kanazawa
Telegraph Regiment 2nd	Hiroshima	Engineer Battalion 9th	Kanazawa
Commissariat Battalion 5th	Hiroshima	Commissariat Battalion 9th	Kanazawa
6th Division		10th Division	
Divisional Headquarters	Kumamoto	Divisional Headquarters	Himeji
Headquarters of 11th Infantry Brigade	Kumamoto	Headquarters of 8th Infantry Brigade	Himeji
Infantry Regiment 13th	Kumamoto	Infantry Regiment 39th	Himeji
Infantry Regiment 47th	Oita	Infantry Regiment 40th	Tottori
Headquarters of Infantry Brigade 35th	Kagoshima	Headquarters of Infantry Brigade 33rd	Okayama
Infantry Regiment 23th	Miyakonojo	Infantry Regiment 10th	Okayama
Infantry Regiment 45th	Kagoshima	Infantry Regiment 63rd	Matsuyé
Cavalry Regiment 6th	Kumamoto	Cavalry Regiment 10th	Himeji
Field Artillery Regiment 6th	Kumamoto	Field Artillery Regiment 10th	Himeji
Engineer Battalion 6th	Kumamoto	Engineer Battalion 10th	Okayama
Commissariat Battalion 6th	Kumamoto	Commissariat Battalion 10th	Himeji
7th Division		11th Division	
Divisional headquarters	Asahigawa	Divisional headquarters	Zentsuji
Headquarters of 13th Infantry Brigade	Asahigawa	Headquarters of 10th Infantry Brigade	Zentsuji
Infantry Regiment 25th	Sapporo	Infantry Regiment 12th	Zentsuji
Infantry Regiment 26th	Asahigawa	Infantry Regiment 22nd	Matsuyama
Headquarters of 14th Infantry Brigade	Asahigawa	Headquarters of 22nd Infantry Brigade	Tekushima
Infantry Regiment 27th and 28th	Asahigawa	Infantry Regiment 43rd	Tokushima
Cavalry Regiment 7th	Asahigawa	Infantry Regiment 44th	Kochi
Field Artillery Regiment 7th	Asahigawa	Cavalry Regiment 11th	Zentsuji
Hakodate Heavy Artillery Battalion	Hakodate	Mountain Artillery Regiment 11th	Zentsuji
Engineer Battalion 7th	Asahigawa	Engineer Battalion 11th	Zentsuji
Commissariat Battalion 7th	Asahigawa	Commissariat Battalion 11th	Zentsuji
8th Division		12th Division	
Divisional headquarters	Hirosaki	Divisional headquarters	Kurumé
Headquarters of 4th Infantry Brigade	Hirosaki	Headquarters of 12th Infantry Brigade	Fukuoka
Infantry Regiment 5th	Aomori	Infantry Regiment 14th	Kokura
Infantry Regiment 31st	Hirosaki	Infantry Regiment 24th	Fukuoka
Headquarters of 16th Infantry Brigade	Akita	Headquarters of 24th Infantry Brigade	Kurumé
Infantry Regiment 17th	Akita	Infantry Regiment 46th	Ohmura
Infantry Regiment 32th	Yamagata	Infantry Regiment 48th	Kurumé
Headquarters of 3rd Cavalry Brigade	Morioka	The 3rd Battalion of this regiment is stationed at Saga	
Cavalry Regiment 5th	Hirosaki	Tank Corps 1	Kurumé
Cavalry Regiment 23rd and 14th	Morioka	Cavalry Regiment 12	Kurumé
Field Artillery Regiment 8th	Hirosaki	Headquarters of 2nd Heavy Field Artillery Brigade	Kokura
Engineer Battalion 8th	Morioka	Field Artillery Regiment 24th	Kurumé
Commissariat Battalion	Hirosaki	Independent Mountain Artillery Regiment 3rd	Kurumé
9th Division		Heavy Field Artillery Regiment 5th and 6th	Kokura
Divisional headquarters	Kanazawa	Shimonoseki Heavy Artillery Regiment	Shimonoseki
Headquarters of 6th Infantry Brigade	Kanazawa	Sasebo Heavy Artillery Battalion	Sasebo
Infantry Regiment 7th	Kanazawa	Kechi Heavy Artillery Bat-	
Infantry Regiment 35th	Toyama		
Headquarters of 18th Infantry Brigade	Tsuruga		
Infantry Regiment 19th	Tsuruga		
Infantry Regiment 36th	Sabayé		

Infantry Regiment 18th	Kechi
Engineer Battalion 18th	Kurumé
Flying Air Force Regiment 4th	Tachiarai
Commissariat Battalion 18th	Kurumé
14th Division	
Divisional headquarters	Utsunomiya
Headquarters of 27th Infantry Brigade	Utsunomiya
Infantry Regiment 2nd	Mito
Infantry Regiment 59th	Utsunomiya
Headquarters of 28th Infantry Brigade	Takasaki
Infantry Regiment 15	Takasaki
Infantry Regiment 50th	Matsumoto
Cavalry Regiment 18th	Utsunomiya
Field Artillery Regiment 20th	Utsunomiya
Engineer Battalion 14th	Mito
Commissariat Battalion 14th	Utsunomiya
16th Division	
Divisional headquarters	Kyoto
Headquarters of 10th Infantry Brigade	Kyoto
Infantry Regiment 9th	Kyoto
The 3rd Battalion of this regiment is stationed at Ohtsu	
Infantry Regiment 20th	Fukuchi-
Headquarters of 30th Infantry Brigade	yama
Infantry Regiment 33rd	Tau
Infantry Regiment 38th	Tau
Cavalry Regiment 20th	Nara
Field Artillery Regiment 22nd	Kyoto
Maizuru Heavy Artillery Battalion	Kyoto
Engineer Battalion 16th	Maizuru
Air Force Regiment 3rd	Kyoto
Commissariat Battalion 16th	Yokkaichi
19th Division	
Divisional headquarters	Ranan
Headquarters of 37th Infantry Brigade	Ranan
Infantry Regiment 73rd	Ranan
Infantry Regiment 74th	Kanko
Headquarters of 30th Infantry Brigade	Ranan
Infantry Regiment 75th	Kainei
Infantry Regiment 76th	Ranan
Cavalry Regiment 27th	Ranan
Field Artillery Regiment 25th	Ranan
Engineer Battalion 19th	Kainei
20th Division	
Divisional headquarters	Ryuzan
Headquarters of 39th Infantry Brigade	Heijo
Infantry Regiment 77th	Heijo
Infantry Regiment 78th	Ryuzan
Headquarters of 40th Infantry Brigade	Ryuzan
Infantry Regiment 79th	Ryuzan
Infantry Regiment 80th	Taiko

The 3rd Battalion of the regiment is stationed at Taiden.
 Cavalry Regiment 28th Ryuzan
 Field Artillery Regiment 26th Ryuzan
 Anti-aircraft Corps of above regiment Heijo
 Heavy Artillery Battalion of Masan Masan
 Engineer Battalion 20th Ryuzan
 Air Force Regiment 6th Heijo

The Headquarters of special units are distributed as follows :

Tokyo Garrison Headquarters	Tokyo
Headquarters of Chosen Army	Keijo
Headquarters of Taiwan Army	Taihoku
Headquarters of Taiwan Garrison	Taihoku
1st Taiwan Infantry Regiment 1	Taihoku
2nd Taiwan Infantry Regiment 2	Taihoku
Taiwan Mountain Artillery Battalion	Taihoku
Kiirun Heavy Artillery Battalion	Kiirun
Mako Heavy Artillery Battalion	Mako
Heito 8th Flight Regiment	Heito
Headquarters of Kwantung Army	Ryojun
Headquarters of Independent Garrison	Koshurei
1st Infantry Battalion Independent Garrison	Koshurei
2nd Infantry Battalion Independent Garrison	Mukden
3rd Infantry Battalion Independent Garrison	Tashihchiao
4th Infantry Battalion Independent Garrison	Lienshan-
5th Infantry Battalion Independent Garrison	kwan
6th Infantry Battalion Independent Garrison	Ssupinkai
Ryojun Heavy Artillery Battalion	Antung
Headquarters of Japanese Force in China	Tientsin
Japanese Infantry Garrison in Tientsin	Tientsin
Japanese Infantry Garrison in Peiping	Peiping

Fortresses

The Army has 17 fortresses at places of strategic importance in different parts of Japan proper and its dependencies. At each of these

fortresses, a heavy artillery regiment or battalion is stationed, and in some cases an air force detachment. Their sites and divisional attachments are as follows:

Site	Division
(1) Yokosuka	1st
(2) Chichijima (Bonin Is.)	"
(3) Yura	4th
(4) Amamioshima	6th
(5) Hoyo	"
(6) Tsugaru	7th
(7) Shimonoseki	12th
(8) Tsushima	"
(9) Sasebo	"
(10) Nagasaki	"
(11) Iki	"
(12) Maizuru	16th
(13) Chinkaiwan	Chosen Army
(14) Eikowan	"
(15) Kilun	Taiwan Army
(16) Bokoto	"
(17) Ryojun (Port Arthur)	Kwantung Army

Equipment

Field Artillery The 1905 type cannons of 7.5 centimetre calibre in use by the field artillery are believed to have a range of more than 12,000 metres with a maximum firing capacity of 16 times a minute and an average of about eight times a minute. But the capacity of the field cannon of the latest type in use is a military secret, though it is believed to be as powerful as any cannon in use by the most advanced army of the West. The field artillery will shortly be reinforced with a number of indirect firing howitzers, whereas at present it is armed with direct firing guns only. The cannon in use by the mountain artillery is believed to have a range of nearly 8,000 metres, that of the horse artillery a range of 8,500 metres. The heavy field artillery is equipped with 1927 type howitzers of 15 centimetre calibre, 1925 type cannon of 10 centimetre calibre, and 1911 type howitzers of 24 centimetre calibre. The heavy howitzers have a range of about 10,000 metres. During the

Russo-Japanese War, the Japanese heavy artillery units used cannon of 28 centimetre calibre in the siege of Port Arthur, with results that aroused the admiration of military experts of all nations. The present heavy artillery is believed to be among the best equipped in the world.

The Infantry The infantry is armed with infantry cannon having a range of about 2,000 metres, indirect firing howitzer with a range of about 1,500 metres, bomb throwing tubes, short distance cannon, heavy and light machine-guns with a firing capacity of 500, and 120 to 400 times a minute respectively.

Flying Machines The number of flying machines attached to the Army is not exactly known. But, according to an official report it has 584 machines in use, 253 in reserve, while about 300 are under construction. The fighting planes now largely in use are of the A-4 type. As the planes of this type are rather out of date now, their speed being less than 300 kilometres an hour, they will gradually be replaced by fighting planes of nine-one and nine-two types, which are said to be as powerful as any in use by other aerial forces of the Powers. The army light bombers, of the 87 and 88 types, are slightly out of date. The heavy bombers, however, are believed to be as powerful as the best bombers of the world. Two of these are of 3,400 h.p. and are entirely home made. Besides, there are more than fifty planes of several types contributed to the Army by the Japanese people since the beginning of the Sino-Japanese conflicts in Manchuria and Shanghai.

Arms Depot The Arms Depot has its headquarters in Tokyo, and branches at Tokyo, Chiba, Nagoya, Osaka, Hiroshima and Kokura. It conducts the purchase, storing, main-

tenance, repairs, distribution, replacement, etc. of arms and ordnance, mounting of guns and similar work. Military arsenals are established at Tokyo, Osaka, Nagoya and Oji (Tokyo City). They undertake the designing, planning, and manufacture of arms, ordnance, munitions of war

and powder. They also undertake the manufacture of powder and arms for the Navy and the general public at their request. Besides there are ordnance manufactories at Tokyo, Osaka, Nagoya, Kokura and Heijo (Chosen).

OCCUPANTS OF SENIOR COMMANDS (Sep. 5, 1932)

Name and Rank	Command
Lieut.-General Kiyoshi Kihara	Tokyo Garrison

DIVISION COMMANDS

Name and Rank	Command	Division
Lieut.-General Yahiko Kamada	Guard Division	Guard
Major-General Makihel Matsuda	1st Infantry Brigade	"
" Saburo Sato	2nd " "	"
" Yuji Takanami	1st Cavalry " "	"
" Kyosuké Kawamura	4th Heavy Field Artillery Brigade	"
Lieut.-General Senshi Hayashi	1st Division	1st
Major-General Prince Yasuhiko	1st Infantry Brigade	"
" Sadayoshi Yamazaki	2nd " "	"
" Tsunenari Hara	2nd Cavalry Brigade	"
" Takezo Go	3rd Heavy Field Artillery Brigade	"
Lieut.-General Jiro Tamon	2nd Division	2nd
Major-General Shogo Haebé	3rd Infantry Brigade	"
" Rokuro Amano	15th " "	"
Lieut.-General Gosuké Yasuda	Divisional Home Cadre	"
" Zentaro Wakayama	3rd Division	3rd
Major-General Prince Naruhiko	5th Infantry Brigade	"
" Tomosuké Takada	29th " "	"
" Kennosuké Mogi	4th Cavalry Brigade	"
" Uasao Yamada	1st Heavy Field Artillery Brigade	"
Lieut.-General Juichi Terauchi	4th Division	4th
Major-General Choku Sato	7th Infantry Brigade	"
" Shosuké Yoshitomi	32th " "	"
Lieut.-General Harushigé Ninomiya	5th Division	5th
Major-General Kenji Dohihara	5th Infantry Brigade	"
Major-General Goroku Mori	21st Infantry Brigade	5th
Lieut.-General Masaemon Sakamoto	6th Division	6th
Major-General Kunizo Matsuda	11th Infantry Brigade	"
" Yoshiaki Takada	36th " "	"
Lieut.-General Nenosuké Sato	7th Division	7th
Major-General Saneo Tani	13th Infantry Brigade	"
" Hyojiro Hattori	14th " "	"
Lieut.-General Gilchi Nishi	8th Division	8th
Major-General Yoshimichi Suzuki	4th Infantry Brigade	"
" Satoru Kawahara	16th " "	"
" Gensuké Ichinosé	3rd Cavalry Brigade	"
Lieut.-General Yoshikatsu Aramaki	9th Division	9th
Major-General Keikichi Ohkushi	6th Infantry Brigade	"
" Kokichi Ono	18th " "	"
Lieut.-General Jusuké Hirose	10th Division	10th
Major-General Waichiro Sonobé	8th Infantry Brigade	"
" Kaoru Nakamura	33rd " "	"
Lieut.-General Atsutaro Koto	11th Division	11th
Major-General Motoyuki Kaneko	10th Infantry Brigade	"

Name and Rank	Command	Division
Major-General Toshio Miyamura	22nd Infantry Brigade	11th
Lieut.-General Gen Sugiyama	12th Division	12th
Major-General Masao Tsutsui	12th Infantry Brigade	"
" Choei Tanifuji	24th " "	"
" Norikazu Toki	2nd Heavy Field Artillery Brigade	"
Lieut.-General Tadasuké Matsuki	14th Division	14th
Major-General Hideo Hiramatsu	27th Infantry Brigade	"
" Teizo Hiraga	28th " "	"
Lieut.-General Kakuichi Yamamoto	16th Division	16th
Major-General Satoru Tanaka	19th Infantry Brigade	"
" Goro Endo	30th " "	"
Lieut.-General Hisashi Mori	19th Division	19th
Major-General Tetsuji Koga	37th Infantry Brigade	"
" Shiro Yoda	38th " "	"
Lieut.-General Nobutaro Umezaki	20th Division	20th
Major-General Nobuhiko Katsuo	39th Infantry Brigade	"
" Ko Miyazawa	40th " "	"

OVERSEAS COMMANDS

Name and Rank	Command
Lieut.-General Ycshiyuki Kawashima	Chosen Army
" Nobuyuki Abé	Taiwan Army
Major-General Toyozo Toyama	Taiwan Garrison
General Nobuyoshi Muto	Kwantung Army
Lieut.-General Chuya Inouyé	Independent Garrison
" Kotaro Nakamura	Japanese Garrison in China

FORTRESS COMMANDS

Name and Rank	Command
Lieut.-General Saburo Furukawa	Tokyo Bay
Major-General Takeshi Kosugi	Yura
" Yutaka Nakaoka	Shimonoseki
Lieut.-General Kisaburo Ando	Ryojun
Major-General Kesakichi Nakajima	Maizuru
" Shigeshi Hirayama	Sasebo
" Koshi Hayashi	Kiirun
" Motonaga Suzuki	Bokoto
" Michio Nishimura	Chinkai Bay
" Shuta Ohuchi	Tsushima
Colonel Seitaro Akiyama	Nagasaki
Artillery Lieut.-Colonel Takeo Ikenaga	Eiko Bay
" Colonel Yoshikazu Fujizaki	Chichijima
" Lieut.-Colonel Yudai Watari	Amamioshima
" Masazo Takahashi	Iki
Major-General Kichiji Yoshinase	Hoyo
" Keizo Kawamura	Tsugaru

MILITARY ATTACHÉS TO JAPANESE EMBASSIES AND LEGATIONS

Name and Rank	Post
Major-General Rikichi Ando	Embassy in London
Colonel Seiichi Tanaka	" " Washington
Major-General Heijuro Kasai	" " Paris
Lieut.-Colonel Yasushi Sakai	" " Rome
Lieut.-Colonel Ichiro Banzai	" " Berlin
" Torasaburo Kawabé	" " Moscow
" Masatane Kanda	" " Angora
Major-General Kanichiro Tashiro	Legation in China
Lieut.-Colonel Shunjiro Takeuchi	" " Mexico City
" Hikosaburo Hata	" " Warsaw

Name and Rank	Post
Lieut.-Colonel Hikosaburo Hata	Legation in Bucharest
Major Takehito Kawamata	" " Riga
" Tadamichi Kuribayashi	" " Ottawa

Promotion and Age Limit

Army officers in service are promoted to higher ranks by selection in accordance with the following rules in time of peace, the time limit being reduced by one-half in war time:

One year from Sub-Lieutenant to Lieutenant, 2 years from Lieutenant to Captain, 4 years to Major, 2 years to Lieutenant-Colonel, 2 years to Colonel, 2 years to Major-General, 3 years to Lieutenant-General. Promotion to full General and then to Marshal is subject only to the Emperor's will.

The age limit for officers on the active list varies according to rank

Name	Place
Artillery and Engineering School	Tokyo
Infantry School	Chiba prefecture
Cavalry School	" "
Field Artillery School	" "
Heavy Field Artillery School	Kanagawa prefecture
Engineers' School	Chiba "
Signallers' School	Tokyo "
Mechanical Transport School	" "
Toyama School	Tokyo city
Military Academy	" "
Military Preparatory School	" "
4 Non-Commissioned Officers' Schools	Tokyo, Sendai, Toyohashi, Kumamoto

Toyama School teaches fencing, gymnastics and military music to both officers and men.

(2) The Staff College (Tokyo City) under the direct control of the General Staff.

(3) Those under the control of various bureaux of the Ministry of War, of which a full list is given below.

Name	Place
Tokorozawa Flying School	Saitama prefecture
Akeno Flying School	Miyé "
Shimoshizu Flying School	Chiba "
Engineering School	Tokyo City "
Intendance School	" "

as follows:

General	65
Lieutenant-General	62
Major-General	58
Colonel	55
Lieutenant-Colonel	53
Major	50
Captain	48
Lieutenant and Sub-Lieutenant	45

There is no age limit for Marshals.

Army Education

Schools providing instruction in military affairs are of three categories as follows:

(1) Those under the authority of the Department of Military Education, of which a full list is given below:

Name	Place
Army Medical School	Tokyo City
Army Veterinary School	" "
Gendarmery Training School	" "

The Flying School at Tokorozawa is to give necessary training to military fliers as to how to handle and repair a plane and its engine, besides a knowledge of the materials of which planes and engines are constructed. This school is opened to civilian students. The Flying School at Shimoshizu is to teach aerial photography, aerial communications and reconnoitering. The Akeno Flying School gives courses

to army pilots on the aerial warfare, handling of machine-guns on a plane and also on the construction of aerial weapons.

To raise the level of educational capacity and general efficiency among officers, certain special courses and facilities are arranged. Graduates from universities in science or engineering are now entitled to the position of engineer of artillery lieutenants after six months' cadetship, while those from the medical and agricultural colleges are qualified to become surgeon and veterinary lieutenants respectively after three months' cadetship. Non-commissioned officers of ability may be promoted to the rank of lieutenant in virtue of a system adopted in 1930, after a short period of special training. Posts still higher, even to the supreme Marshalship, are open to non-commissioned officers of exceptional ability.

Details of Reorganization Plan

In view of the atmosphere of disquiet resulting from the Sino-Japanese conflict, etc., the army authorities found it necessary to carry out a more complete reorganization in the military system to bring the Japanese Army up to the level of those of the other military Powers as regards organization and equipment. The Ministry of War announced that the reorganization plan had the following four objects:

Reinforcement of the Japanese Army in Manchuria This is to increase the number of officers and men by placing the fighting units there on a war-time footing and to improve their equipment by providing more aeroplanes, motor-cars, tanks, heavy guns, up-to-date materials for railway and other communication services.

Provision of Supplementary Education This is to give the necessary education to about 100,000 officers and

men, either on the active or reserve list, in order to enable them to handle machine-guns, aeroplanes, tanks, motor-cars, gas-masks, radio apparatus, and also to have some knowledge of land-surveying and weather observation.

Execution of Reforms of Urgent Necessity This is mainly to carry out more quickly the reorganization plan decided on in July, 1930. It covers (a) Increase in the number of military cadets. (b) Creation of a system for short term service volunteer officers in order to make good the present shortage of officers in the lower ranks. (c) Increase in the number of special sergeant-majors also to make good the shortage of officers of low ranks. (d) Revision of military cadets' training system and total abolition of the system of remission of period of service in return for money payments. (e) Establishment of schools for training N.C.O.'s for special units. (f) Recruitment of juvenile volunteers for the air force and communication corps. (g) Expansion of part of flying and tank corps. (h) Establishment of schools to give training in protective measures against poison-gas from enemy planes. (i) Establishment of training courses on chemical warfare in various corps. (j) Preparations of dogs for military service.

Improvement of General Equipment The arms and ammunitions to be improved and increased cover machine-guns, infantry cannons, bomb-throwing tubes, light howitzers, heavy cannons, anti-air guns, aeroplanes, tanks, motor-cars, anti-gas materials, materials for surgeons and veterinary surgeons.

For this plan the Ministry of War has decided to ask the Diet for the appropriation of ¥87,850,000 during the fiscal year of 1933-34 to be increased later on.

The Navy

Outline History As a result of the policy of seclusion strictly followed by the Shogunate Government of the Tokugawas, Japan was without anything worthy of the name of a navy, when Commodore Perry's fleet entered Uruga Bay in the 6th year of Kaei (1853) with a view to inducing the Shogun's Government to open Japanese ports to the world. By the 4th year of Ansei (1857), however, Japan was in possession of a few warships given her by Holland and England. They formed the first squadron of the Western type that the nation ever had. By the efforts of the Meiji Government, this squadron developed into an efficient fleet of 28 fighting craft and 24 torpedo-boats, with a total tonnage of over 50,000 tons by 1894, when Japan declared war on China. After the Sino-Japanese War, Japan's navy grew very rapidly and in 1902, just before the outbreak of Russo-Japanese War, was in possession of 78 ships with a total tonnage of 256,816 tons.

The Naval Policy Japan's naval policy was, and is, to maintain a fleet powerful enough to defend the country against any naval force which could be dispatched to the western Pacific by any naval Power of the world. This policy was embodied first in the expansion plan adopted in 1907, including the construction of 8 battleships, 8 battle-cruisers, 21 light cruisers, 64 destroyers, and 32 submarines. As a preliminary to carrying out the plan, it was decided to build 8 battleships, 4 battle-cruisers, 11 light cruisers and a number of destroyers and submarines at a total expenditure of ¥254,000,000. In 1916, the Diet passed the programme to be carried out in the seven years ending 1923. In 1917, the programme was enlarged by a

project covering the construction of 2 more battle-cruisers and a number of auxiliary ships in the six years ending 1923. In 1919, this programme was enlarged by a new project covering the construction of 8 capital ships and 85 auxiliary ships at a total expenditure of ¥750,000,000 to be appropriated in the eight years ending 1927. Thus, in 1921, Japan's naval expenditure amounted to about ¥500,000,000 or over one-third of the total amount of the budget.

The 1919 Programme The number and kind of ships to be constructed by the 1919 plan were 8 battleships armed with 16-inch guns (Nagato, Mutsu, Tosa, Kaga, etc.) and 8 battle-cruisers (Amagi, Akagi, etc., etc.), 26 light cruisers, 94 destroyers, and 93 submarines. As a result of the Washington Conference, the construction of these ships was abandoned, the Mutsu and the Nagato being retained on the list, while the Akagi and the Amagi were retained for conversion into plane carriers. (The great earthquake of 1923 made the Amagi unfit for service, and she was replaced by the Kaga).

After the Conference every effort was made to build up a powerful fleet of auxiliary ships to compensate for the deficiency in capital ships, of which Japan was allowed only 9 as against the 15 each of America and Britain. This effort resulted in the establishment of a well balanced fleet of auxiliary ships. The Naval Treaty signed in London in 1930, however, again gave Japan a low ratio in the number and tonnage of eight-inch gun cruisers, and allowed her only 52,700 tons of submarines, in spite of her demand for a minimum of 78,000 tons. This made it necessary further to rein-

force the auxiliary fleet.

The 1931 Plan In 1931, the First Naval Replenishment Plan was referred to the Diet which passed it almost unanimously. The plan covers the construction of 4 light cruisers of 8,500 tons each, 12 first class destroyers of 1,400 tons each, 9 first class submarines, 1 large mine-layer, 3 smaller mine-layers, 4 torpedo-boats, and 6 mine-sweepers, at a total expenditure of ¥247,080,000 to be appropriated in the 6 years.

The 1932 Plan The replenishment plan is accompanied by two other plans, the first of which covers the establishment of 12 naval flying corps on land and an aeronautic arsenal, the improvement and reinforcement of planes carried on plane-carriers and other ships, and the improvement of arms to be mounted on naval planes. The total expenditure for this, amounting to ¥81,970,000, is to be voted by 1936. On its completion, the plan is to be followed by another expansion plan covering the establishment of 2 more flying corps on land at a total expenditure of ¥50,000,000. The second plan supplementary to the 1931 Replenishment Plan covers a total expenditure of ¥44,950,000 to be appropriated for the modernization of capital and auxiliary ships, plane-carriers, submarines, and the replacement of guns, etc. When these replenishment programmes are completed, Japan will have 12 Trea-

ty cruisers, 23 light cruisers, 4 plane-carriers, 4 submarine tenders, 6 mine-layers, 8 coast defence ships, 13 gun-boats, 79 first class destroyers, 34 second class destroyers, 33 first class submarines, 38 second class submarines, 4 torpedo-boats, 14 mine-sweepers, 3 training-ships, 1 target ship, 2 surveying ships, 17 transports, and 1 ice-breaker.

The naval authorities referred a second naval replenishment plan to the Ministry of Finance for study on October 31, 1932. The plan calls for a total expenditure of ¥460,000,000 covering the construction of one plane-carrier of 8,000 tons, two 8,500 ton cruisers with 6-inch guns, 7 first class destroyers of 1,400 tons each, six submarines, one mine-layer of 5,000 tons type, a number of torpedo-boats and mine-sweepers, and the establishment of 5 flying corps on land, all for completion in the 4 years ending 1936.

Definite information as to the equipment of the 8,500 ton cruisers mentioned above is still kept secret, but according to the Tokyo Nichi-Nichi, they are to be armed with 15 six-inch guns, mounted in 5 turrets, and a deck for aeroplanes, of which they are to carry 39 each. The cost per ton under the 2nd replenishment plan is estimated at ¥2,922 for cruisers, ¥3,902 for destroyers, ¥4,460 for submarines, and ¥2,000 for mine-layers.

NAVAL EXPENDITURE

Year	Running Expenses	Extraordinary Expenses	Total
1893 (Just before Sino-Japanese War)	¥ 5,141,000	¥ 2,960,000	¥ 8,101,000
1896 (Just after Sino-Japanese War)	7,351,000	12,655,000	20,006,000
1903 (Just before Russo-Japanese War)	21,530,000	14,588,000	36,118,000
1906 (Just after Russo-Japanese War)	27,991,000	33,825,000	61,816,000
1912	41,534,000	53,952,000	95,486,000
1917	48,528,000	113,006,000	162,434,000
1925	122,242,000	106,761,000	229,003,000
1926	127,428,000	109,879,000	237,307,000
1927	136,545,000	136,932,000	273,537,000
1928	143,026,000	125,106,000	268,132,000

Year	Running Expenses	Extraordinary Expenses	Total
1929	¥ 147,648,000	¥ 129,016,000	¥ 267,664,000
1930	146,888,000	96,147,000	242,035,000
1931 (outstanding account)	123,914,000	88,215,000	237,129,000
1932 (working budget)	140,767,000	159,828,000	297,595,000
1933 (budget)	178,822,000	193,784,000	372,606,000

Administrative Organization

Warships and other vessels organized into fleet and squadrons actually represent what is called the Japanese Navy, and all the organs under the jurisdiction of the Ministry of Marine are intended for the construction, maintenance, control and successful utilization of these vessels. Each naval station and fleet is placed in the charge of a Commander-in-chief, who is responsible for the discipline and education of his men.

The Minister The Minister of Marine is in charge of the administration of the Navy, while the Chief of the Naval Staff is directly responsible to the Emperor for operation, mobilization and intelligence. The administrative departments under the supervision of the Minister of Marine are the following:

(1) Naval Affairs Bureau (2) Personal Affairs Bureau (3) Education Bureau (4) Medical Bureau (5) Paymasters' Bureau (6) Court Martial Bureau.

The Minister of Marine is responsible for all centrally controlled naval education, for there is no organ in the Navy corresponding to the Department of Military Education.

The schools under the supervision of the Minister are:

(1) The Naval Staff College (Tokyo). This school is intended for the training of advanced students selected from among naval officers.

(2) Naval Academy (or Naval Cadets' College) (Etajima). This school is intended for the education of intending naval officers. Warrant officers are also educated here be-

fore they are promoted to the rank of special service officer.

(3) Naval Engineering College (Maizuru). This school is intended for the education of intending engineering officers. Warrant engineering officers are received under the same conditions as at the Naval Academy.

(4) Naval Medical College. This school is to train surgeons and pharmacists and to conduct research in the field of surgery, medicine and naval sanitation. Warrant medical officers are educated here before they are qualified for the rank of special service naval surgeon.

(5) Naval Paymasters' College. This trains naval officers aspiring after the position of a naval intendant officer. Warrant naval intendants are required to study here before they are qualified for the rank of special service naval intendant officer.

Under the Commander-in-Chief The following schools are under the direct supervision of the Commanders-in-Chief of the Naval Stations.

(1) Gunnery School (Yokosuka). Officers, special service officers, warrant officers and seamen of special ratings are admitted.

(2) Torpedo School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.

(3) Submarine School (Kuré). Officers, warrant officers and seamen specially selected are trained here for submarine warfare. Researches on submarine construction and operation are also conducted.

(4) Engineering School. This school is for the training of warrant officers and seamen aspiring to the

rank of engineering officer, or special service engineering officer, or shipwright.

(5) Communications School. This school is open to officers, warrant officers, and other ratings. Researches in the science of naval communication are also conducted.

(6) Training Ships. Officers, warrant officers and other ratings are given training in navigation on these ships.

Active Service Organization

The Three Districts The coasts of Japan and the seas surrounding the country are divided into three Naval Districts, and these districts are placed in the charge of naval stations as follows:

1st Naval District, consisting of the coasts of Aomori, Iwaté, Miyagi, Fukushima, Ibaraki, Chiba, Tokyo, Kanagawa, Shizuoka, Aichi, Miyé, Hokkaido and Karafuto, and the adjacent seas, is in the charge of the Yokosuka Naval Station.

2nd Naval District, consisting of the coasts of Wakayama, Osaka, Hyogo, Okayama, Hiroshima, Yamaguchi, Shimané, Tottori, Kyoto, Fukui, Ishikawa, Toyama, Niigata, Yamagata, Akita, Tokushima, Kochi, Ehimé, Kagawa, Oita, Miyazaki, and the eastern part of Fukuoka prefecture, and the adjacent seas, is in the charge of the Kuré Naval Station.

3rd Naval District, consisting of the coasts of the remainder of Fukuoka prefecture, Saga, Nagasaki, Kumamoto, Kagoshima, Okinawa, Taiwan and Chosen and the adjacent seas, is in the charge of the Sasebo Naval Station.

The Kwantung District The coasts of the Kwantung Leased Territory and adjacent seas constitute the Kwantung Naval District which is under the care of the Sasebo Naval Sta-

tion, and the coasts and adjacent seas of the South Sea Islands, now under mandate to Japan, are in the charge of the Yokosuka Naval Station. There are also auxiliary naval stations at Maizuru in Kyoto prefecture, Ohminato in Aomori prefecture, Ryojun (Port Arthur), Chinkai in Chosen and Mako in the Boko Islands (Pescadores).

The naval districts have each a marine division, which is responsible for the defence of the naval port where it is posted, besides being required to protect the neighbouring district from attack. In addition to the marine division, each naval station or auxiliary naval station has a defence corps, which is responsible for the defence of the neighbouring seas. Where there is no marine division, the defence corps is required to take care of the port where it is stationed and to protect the neighbouring district from attack. The naval ports and auxiliary naval ports have respectively one or more air force detachments, which are required to protect the port and neighbouring district from naval and aerial raids.

The Standing Fleets

The standing fleets as reorganized on December 1, 1932, are as follows:

1st Fleet

1st Battle Squadron—Kongo, Haruna, Hyuga and Mutsu.

2nd Battle Squadron—Unorganized.

3rd Battle Squadron—Abukuma, Yura and Natori.

1st Torpedo Battle Squadron—Yubari, 2nd, 23rd and 30th destroyer flotillas.

1st Submarine Battle Squadron—Jingei, 28th and 30th submarine flotillas.

2nd Fleet

4th Battle Squadron—Takao, Atago, Maya and Chokai.

5th Battle Squadron—Kinukasa, Kako and Aoba.

2nd Torpedo Battle Squadron—Jintau, 7th, 8th, 12th and 21st destroyer flotillas.

2nd Submarine Battle Squadron—Kuma, 18th

and 19th submarine flotillas.

1st Naval Air Force Squadron—Kaga, Hosho, and 2nd destroyer flotillas.

Squadron of Special Service Ships belonging to the Combined Fleet: Mamiya, Naruto, Tsurumi and Notoro.

1st Squadron Abroad: Taushima, Ataka, Uji, Sumida, Fushimi, Toba, Seta, Katada, Hira, Hozu, Atami, Futami, 24th destroyer flotilla, and Urakazé.

2nd Squadron Abroad: Hirato and 16th destroyer flotilla.

Training Squadron: Yakumo and Iwaté.

3rd Fleet

(Temporary organization) Izumo, Tenryu, 27th destroyer flotilla and all ships of the 1st Squadron Abroad as stated above.

The Naval Air Force

The Naval Air Force of Japan consists of:

(1) 7 aeroplane corps and 1 airship corps at Kasumigaura, 2- $\frac{1}{2}$ aeroplane corps at Yokosuka, 3 aeroplane corps at Tateyama, 1- $\frac{1}{2}$ aeroplane corps at Sasebo, 2 corps at Omura and $\frac{1}{2}$ corps at Kuré, the number of planes belonging to these air corps being 472 in all, inclusive of those under construction; and (2) the aircraft-carriers proper, Kaga, Akagi, Hosho, Notoro, Ryujo (under construction) and several other ships, the number of planes carried, including those under construction being 392. Flying officers and men number about 9,800.

The Personnel

The personnel of the naval service, including the air force, for the three years ending 1932 was as follows:

	Active Service	Reserve (1st & 2nd)	Total
1930	82,288	51,592	133,880
1931	81,299	53,355	134,654
1932	86,849	52,839	139,688

Classified according to ranks, those on the active list were as follows in February, 1932:

Admirals to Rear-Admirals and ranking officers 119

Captains to Lieut.-Commanders and ranking officers	2,082
Lieutenants to End Sub-Lieutenants and ranking officers	2,602
Midshipmen	336
Special service officers	1,355
Warrant officers	1,598
Cadets at school	546
Petty officers and men	80,250
Total	88,888

Equipment Each naval station is equipped with a shipbuilding yard, and one or more dry docks for accommodating warships. The Yokosuka and Kuré arsenals are capable of taking in superdreadnoughts of over 40,000 tons, but those of Sasebo and Maizuru are only fit for building cruisers and smaller ships. There are a number of up-to-date private establishments, such as the Mitsubishi shipyard at Nagasaki, Kawasaki shipyard at Kobé, Fujinagata shipyard at Osaka, and Ishikawajima shipyard at Tokyo. Of these the Mitsubishi and Kawasaki shipyards are capable of building superdreadnoughts.

Warship Building

The first warship built in Japan was the Seiki (870 tons) launched at Yokosuka in 1875. She played an important part in the civil war of 1877. The Hashidaté (4,228 tons), launched just before the Sino-Japanese War of 1894-5, remained the largest warship built at home until 1903. Soon after the Russo-Japanese War, Japan succeeded in building the battle-cruisers Tsukuba (13,800 tons), Ikoma, and Kurama (14,600 tons each), the battleships Satsuma (19,300 tons), Aki (19,250 tons), Kawachi and Settsu (20,800 tons each). The two last named were the first dreadnoughts planned and constructed at home and marked a new stage in the progress of naval architecture in Japan.

The Kawachi and Tsukuba sank about 15 years ago as a result of an explosion of their magazines, the

former at Tokuyama and the latter at Yokosuka, while the Satsuma and Aki were removed from the list and sunk in target practice. The Settsu has been converted into a target ship of 16,130 tons and is still in service.

Independent of Foreign Material Up to recent years, Japan was dependent on foreign countries as regards war material, but is now almost independent in this connection. She has ample supplies of coal, iron, copper and zinc as long as she controls the mines in Manchuria. The supply of crude oil is still insufficient, but the rapid progress in the oil-shale industry of Manchuria, and the remarkable development of the oil industry in North Saghalien, Formosa, etc., show that the empire will shortly be self-sufficing in this respect also. The Imperial Iron Works at Yawata (Kyushu) has an annual output of about 200,000 tons armour plates, rails, etc., while the Muroran Steel Works of Hokkaido is turning out an ample quantity of steel for use by the Army and Navy. In the chemical industry also, Japan is now almost independent and prepared for any form of chemical warfare. In

the Russo-Japanese War, the 6 battleships and 6 armoured cruisers of the Japanese fleet were all built in England, and the officers and men could fire no guns without optical implements made in foreign countries. The Navy of today is independent in every sense of the word.

List of Ships

The Navy consisted on December 15, 1932 of the following ships, classified by types with the total tonnage in each:

Types	Numbers	Tonnages
Battleships	10	301,400
1st Class Cruisers	12	108,400
2nd Class Cruisers	23	124,225
Aircraft Carriers	4	68,870
Submarine Tenders	4	21,065
Mine Layers	6	20,230
Coast Defence Vessels	8	26,530
Gun Boats	13	5,300
1st Class Destroyers	79	110,361
2nd Class Destroyers	54	26,470
1st Class Submarines	33	52,012
2nd Class Submarines	38	31,372
Torpedo Boats	4	2,400
Mine Sweepers	14	9,630
Special Service Ships	24	286,397
Total	306	1,194,722

The full individual list of warships at the same date was:

BATTLESHIPS

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetre)	High angle guns (Centimetre)	Torpedo tubes
Kongo	29,330	1913	26.0	36(8) 15(16)	8(4)	4
Hiei	29,330	1914	27.5	36(8) 15(16)	8(4)	8
Kirishima	29,330	1915	26.0	36(8) 15(16)	8(4)	4
Haruna	29,330	1915	26.0	36(8) 15(16)	8(4)	4
Fuso	29,330	1915	22.5	36(12) 15(16)	8(4)	6
Yamashiro	29,330	1917	22.5	36(12) 15(16)	8(4)	6
Isé	29,990	1917	23.0	36(12) 14(20)	8(4)	6
Hyuga	29,990	1918	23.0	36(12) 14(20)	8(4)	6
Nagato	32,720	1920	23.0	40(8) 14(20)	8(4)	8
Mutsu	32,720	1921	23.0	40(8) 14(20)	8(4)	8

1ST CLASS CRUISERS

Kako	7,100	1926	33.0	20(6)	8(4)	12
Furutaka	7,100	1926	33.0	20(6)	8(4)	12
Kinugasa	7,100	1927	33.0	20(6)	12(4)	12
Aoba	7,100	1927	33.0	20(6)	12(4)	12
Myoko	10,000	1929	33.0	20(10)	12(6)	12
Nachi	10,000	1928	33.0	20(10)	12(6)	12

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetre)	High angle guns (Centimetre)	Torpedo tubes
Ashigara	10,000	1929	33.0	20(10)	12(6)	12
Haguro	10,000	1929	33.0	20(10)	12(6)	12
Takao	10,000	1932	33.0	20(10)	12(4)	8
Atago	10,000	under construction	33.0	20(10)	12(4)	8
Chokai	10,000	under construction	33.0	20(10)	12(4)	8
Maya	10,000	under construction	33.0	20(10)	12(4)	8

2ND CLASS CRUISERS

Hirato	4,400	1912	26.0	15(8)	8(2)	8(2)	3
Yahagi	4,400	1912	26.0	15(8)	8(2)	8(2)	3
Tenryu	3,230	1919	31.0	14(4)	8(1)	8(1)	6
Tatsuta	3,230	1919	31.0	14(4)	8(1)	8(1)	6
Kuma	5,100	1920	33.0	14(7)	8(2)	8(2)	8
Tama	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Kitakami	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Oi	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Kiso	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Nagara	5,170	1922	33.0	14(7)	8(2)	8(2)	8
Isuzu	5,170	1923	33.0	14(7)	8(2)	8(2)	8
Natori	5,170	1922	33.0	14(7)	8(2)	8(2)	8
Yura	5,170	1923	33.0	14(7)	8(2)	8(2)	8
Kinu	5,170	1922	33.0	14(7)	8(2)	8(2)	8
Abukuma	5,170	1924	33.0	14(7)	8(2)	8(2)	8
Naka	5,195	1925	33.0	14(7)	8(2)	8(2)	8
Sendai	5,195	1924	33.0	14(7)	8(2)	8(2)	8
Jintsu	5,195	1925	33.0	14(7)	8(2)	8(2)	8
Yubari	2,890	1923	33.0	14(6)	8(1)	8(1)	4
No. 1	8,500	under construction					
No. 2	8,500	planned					
No. 3	8,500	"					
No. 4	8,500	"					

AIRCRAFT CARRIERS

Hosho	7,470	1922	25.0	14(4)	8(2)	—
Kaga	26,900	1928	23.0	20(10)	12(12)	—
Akagi	26,900	1927	28.5	20(10)	12(12)	—
Ryujo	7,600	under construction	25.0		12.7(12)	—

SUBMARINE TENDERS

Kanzaki	9,570	—	12.6	8(1)	8(1)	—
Komabashi	1,125	1914	13.9	8(2)	8(1)	—
Jingei	5,160	1923	16.0	14(4)	—	—
Chogei	5,160	1924	16.0	14(4)	—	—

MINE LAYERS

Tokiwa	9,240	1899	21.25	20(2)	15(8)	8(1)	—
Katsuriki	1,540	1917	13.0	8(3)	—	—	—
Shirataka	1,345	1929	16.0	—	—	12(3)	—
Itsukushima	1,970	1929	17.0	14(3)	—	8(2)	—
Yaeyama	1,135	under construction	20.0	—	—	12(2)	—
No. 1	5,000	planned	—	—	—	—	—

COAST DEFENCE VESSELS

Asama	9,240	1899	21.25	20(4)	15(12)	—	4
Yakumo	9,010	1900	20.0	20(4)	15(12)	—	2
Azuma	8,640	1900	20.0	20(4)	15(12)	—	4
Izumo	9,180	1900	20.75	20(4)	15(14)	—	2

former at Tokuyama and the latter at Yokosuka, while the Satsuma and Aki were removed from the list and sunk in target practice. The Settsu has been converted into a target ship of 16,130 tons and is still in service.

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Total	306	1,194,722

The full individual list of warships at the same date was:

BATTLESHIPS

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetre)	High angle guns (Centimetre)	Torpedo tubes
Kongo	29,330	1913	26.0	36(8) 15(16)	8(4)	4
Hiei	29,330	1914	27.5	36(8) 15(16)	8(4)	8
Kirishima	29,330	1915	26.0	36(8) 15(16)	8(4)	4
Haruna	29,330	1915	26.0	36(8) 15(16)	8(4)	4
Fuso	29,330	1915	22.5	36(12) 15(16)	8(4)	6
Yamashiro	29,330	1917	22.5	36(12) 15(16)	8(4)	6
Isé	29,990	1917	23.0	36(12) 14(20)	8(4)	6
Hyuga	29,990	1918	23.0	36(12) 14(20)	8(4)	6
Nagato	32,720	1920	23.0	40(8) 14(20)	8(4)	8
Mutsu	32,720	1921	23.0	40(8) 14(20)	8(4)	8

1ST CLASS CRUISERS

Kako	7,100	1926	33.0	20(6)	8(4)	12
Furutaka	7,100	1926	33.0	20(6)	8(4)	12
Kinugasa	7,100	1927	33.0	20(6)	12(4)	12
Aoba	7,100	1927	33.0	20(6)	12(4)	12
Myoko	10,000	1929	33.0	20(10)	12(6)	12
Nachi	10,000	1928	33.0	20(10)	12(6)	12

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetre)	High angle guns (Centimetre)	Torpedo tubes
Ashigara	10,000	1929	33.0	20(10)	12(6)	12
Haguro	10,000	1929	33.0	20(10)	12(6)	12
Takao	10,000	1932	33.0	20(10)	12(4)	8
Atago	10,000	under construction	33.0	20(10)	12(4)	8
Chokai	10,000	under construction	33.0	20(10)	12(4)	8
Maya	10,000	under construction	33.0	20(10)	12(4)	8

2ND CLASS CRUISERS

Hirato	4,400	1912	26.0	15(8) 8(2)	8(2)	3
Yahagi	4,400	1912	26.0	15(8) 8(2)	8(2)	3
Tenryu	3,230	1919	31.0	14(4)	8(1)	6
Tatsuta	3,230	1919	31.0	14(4)	8(1)	6
Kuma	5,100	1920	33.0	14(7)	8(2)	8
Tama	5,100	1921	33.0	14(7)	8(2)	8
Kitakami	5,100	1921	33.0	14(7)	8(2)	8
Oi	5,100	1921	33.0	14(7)	8(2)	8
Kiso	5,100	1921	33.0	14(7)	8(2)	8
Nagara	5,170	1922	33.0	14(7)	8(2)	8
Isuzu	5,170	1923	33.0	14(7)	8(2)	8
Natori	5,170	1922	33.0	14(7)	8(2)	8
Yura	5,170	1923	33.0	14(7)	8(2)	8
Kinu	5,170	1922	33.0	14(7)	8(2)	8
Abukuma	5,170	1924	33.0	14(7)	8(2)	8
Naka	5,195	1925	33.0	14(7)	8(2)	8
Sendai	5,195	1924	33.0	14(7)	8(2)	8
Jintsu	5,195	1925	33.0	14(7)	8(2)	8
Yubari	2,890	1923	33.0	14(6)	8(1)	4
No. 1	8,500	under construction				
No. 2	8,500	planned				
No. 3	8,500	"				
No. 4	8,500	"				

AIRCRAFT CARRIERS

Hosho	7,470	1922	25.0	14(4)	8(2)	—
Kaga	26,900	1928	23.0	20(10)	12(12)	—
Akagi	26,900	1927	28.5	20(10)	12(12)	—
Ryujo	7,600	under construction	25.0		12.7(12)	—

SUBMARINE TENDERS

Kanzaki	9,570	—	12.6	8(1)	8(1)	—
Komabashi	1,125	1914	13.9	8(2)	8(1)	—
Jingei	5,160	1923	16.0	14(4)	—	—
Chogei	5,160	1924	16.0	14(4)	—	—

MINE LAYERS

Tokiwa	9,240	1899	21.25	20(2) 15(8)	8(1)	—
Katsuriki	1,540	1917	13.0	8(3)	—	—
Shirataka	1,345	1929	16.0		12(3)	—
Itsukushima	1,970	1929	17.0	14(3)	8(2)	—
Yaeyama	1,135	under construction	20.0		12(2)	—
No. 1	5,000	planned	—	—	—	—

COAST DEFENCE VESSELS

Asama	9,240	1899	21.25	20(4) 15(12)	—	4
Yakumo	9,010	1900	20.0	20(4) 15(12)	—	2
Azuma	8,640	1900	20.0	20(4) 15(12)	—	4
Izumo	9,180	1900	20.75	20(4) 15(14)	—	2

Name	Displacement (tons)	When Completed	Nominal speed (knots)	Main Armaments (Centimetre)	High angle guns (Centimetre)	Torpedo tubes
Iwaté	9,180	1901	20.75	20(4) 15(14)	—	4
Kasuga	7,080	1904	20.0	25(1) 20(2) 15(14)	—	4
Nisshin	7,080	1904	20.4	20(4) 15(14)	—	4
Tsushima	3,120	1904	20.0	15(6) 8(8)	—	—

GUNBOATS

Yodo	1,320	1908	22.0	8(2)	—	2
Ataka	725	1922	16.0	12(2)	8(2)	—
Uji	540	1903	13.0	8(3)	8(1)	—
Sumida	105	1903	13.0	6(2)	—	—
Fushimi	150	1906	14.0	6(2)	—	—
Toba	215	1911	15.0	—	8(3)	—
Saga	685	1912	15.0	12(1)	8(3)	—
Seta	305	1923	16.0	—	8(2)	—
Katada	305	1923	16.0	—	8(2)	—
Hira	305	1923	16.0	—	8(2)	—
Hotsu	305	1923	16.0	—	8(2)	—
Atami	170	1929	16.0	—	8(1)	—
Futami	170	1930	16.0	—	8(1)	—

1ST CLASS DESTROYERS

Urakazé	810	1915	23.0	12(1) 8(4)	—	4
Isokazé	1,105	1917	34.0	12(4)	—	6
Hamakazé	1,105	1917	34.0	12(4)	—	6
Amatsukazé	1,105	1917	34.0	12(4)	—	6
Tokitsukazé	1,105	1917	34.0	12(4)	—	6
Yekazé	1,180	1918	34.0	12(3)	—	6
Tanikazé	1,180	1919	34.0	12(3)	—	6
Minekazé	1,215	1920	34.0	12(4)	—	6
Sawakazé	1,215	1920	34.0	12(4)	—	6
Okikazé	1,215	1920	34.0	12(4)	—	6
Shimakazé	1,215	1920	34.0	12(4)	—	6
Nadakazé	1,215	1921	34.1	12(4)	—	6
Yakazé	1,215	1920	34.0	12(4)	—	6
Hakazé	1,215	1920	34.0	12(4)	—	6
Shiokazé	1,215	1921	34.4	12(4)	—	6
Akikazé	1,215	1921	34.0	12(4)	—	6
Yukazé	1,215	1921	34.0	12(4)	—	6
Tachikazé	1,215	1921	34.0	12(4)	—	6
Hokazé	1,215	1921	34.0	12(4)	—	6
Nokazé	1,215	1922	34.0	12(4)	—	6
Namikazé	1,215	1922	34.0	12(4)	—	6
Numakazé	1,215	1922	34.0	12(4)	—	6
Kamikazé	1,270	1922	34.0	12(4)	—	6
Asakazé	1,270	1923	34.0	12(4)	—	6
Harukazé	1,270	1923	34.0	12(4)	—	6
Matsukazé	1,270	1924	34.0	12(4)	—	6
Hatakazé	1,270	1924	34.0	12(4)	—	6
Oikazé	1,270	1925	34.0	12(4)	—	6
Hayaté	1,270	1925	34.0	12(4)	—	6
Asanagi	1,270	1924	34.0	12(4)	—	6
Yunagi	1,270	1925	34.0	12(4)	—	6
Muzuki	1,315	1926	34.0	12(4)	—	6
Kisaragi	1,315	1925	34.0	12(4)	—	6
Yayoi	1,315	1926	34.0	12(4)	—	6
Udzuki	1,315	1926	34.0	12(4)	—	6
Satsuki	1,315	1925	34.0	12(4)	—	6
Minazuki	1,315	1927	34.0	12(4)	—	6
Fumizuki	1,315	1926	34.0	12(4)	—	6

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetre)	High angle guns (Centimetre)	Torpedo tubes
Nagatsuki	1,315	1927	34.0	12(4)	—	6
Kikuzuki	1,315	1926	34.0	12(4)	—	6
Mikazuki	1,315	1927	34.0	12(4)	—	6
Mochizuki	1,315	1927	34.0	12(4)	—	6
Yuzuki	1,315	1927	34.0	12(4)	—	6
Fubuki	1,700	1928	34.0	12.7(6)	—	9
Shirayuki	1,700	1928	34.0	12.7(6)	—	9
Hatsuyuki	1,700	1928	34.0	12.7(6)	—	9
Miyuki	1,700	1929	34.0	12.7(6)	—	9
Murakumo	1,700	1929	34.0	12.7(6)	—	9
Shinonomé	1,700	1929	34.0	12.7(6)	—	9
Usugumo	1,700	1928	34.0	12.7(6)	—	9
Shirakumo	1,700	1928	34.0	12.7(6)	—	9
Isonami	1,700	1928	34.0	12.7(6)	—	9
Uranami	1,700	1929	34.0	12.7(6)	—	9
Ayanami	1,700	1930	34.0	12.7(6)	—	9
Shikinami	1,700	1929	34.0	12.7(6)	—	9
Asagiri	1,700	1930	34.0	12.7(6)	—	9
Yugiri	1,700	1930	34.0	12.7(6)	—	9
Amagiri	1,700	1930	34.0	12.7(6)	—	9
Sagiri	1,700	1931	34.0	12.7(6)	—	9
Oboro	1,700	1931	34.0	12.7(6)	—	9
Akebono	1,700	1931	34.0	12.7(6)	—	9
Sazanami	1,700	under construction	34.0	12.7(6)	—	9
Asashio	1,700	1931	34.0	12.7(6)	—	9
Akatsuki	1,700	under construction	34.0	12.7(6)	—	9
Hibiki	1,700	"	34.0	12.7(6)	—	9
Ikazuchi	1,700	"	34.0	12.7(6)	—	9
Inazuma	1,700	"	34.0	12.7(6)	—	9
No. 1	1,378	Before construction				
No. 2	1,378	"				
No. 3	1,378	"				
No. 4	1,378	"				
No. 5	1,378	"				
No. 6	1,378	"				
No. 7	1,378	"				
No. 8	1,378	"				
No. 9	1,378	"				
No. 10	1,378	"				
No. 11	1,378	"				
No. 12	1,378	"				

2ND CLASS DESTROYERS

Momo	755	1916	31.5	12(3)	—	6
Kashi	755	1917	31.5	12(3)	—	6
Hinoki	755	1917	31.5	12(3)	—	6
Yanagi	755	1917	31.5	12(3)	—	6
Kuwa	770	1918	31.5	12(3)	—	6
Tsubaki	770	1918	31.5	12(3)	—	6
Maki	770	1918	31.5	12(3)	—	6
Keyaki	770	1918	31.5	12(3)	—	6
Kaya	770	1920	31.5	12(3)	—	4
Niré	770	1920	31.5	12(3)	—	4
Kuri	770	1920	31.5	12(3)	—	4
Nashi	770	1919	31.5	12(3)	—	4
Také	770	1919	31.5	12(3)	—	4
Kaki	770	1920	31.5	12(3)	—	4
Tsuga	770	1920	31.5	12(3)	—	4
Kiku	770	1920	31.5	12(3)	—	4

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetre)	High angle guns (Centimetre)	Torpedo tubes
Aoi	770	1920	31.5	12(3)	—	4
Hagi	770	1921	31.5	12(3)	—	4
Susuki	770	1921	31.5	12(3)	—	4
Fuji	770	1921	31.5	12(3)	—	4
Tsuta	770	1921	31.5	12(3)	—	4
Ashi	770	1921	31.5	12(3)	—	4
Hishi	700	1921	31.5	12(3)	—	4
Hasu	770	1922	31.5	12(3)	—	4
Sumiré	770	1923	31.5	12(3)	—	4
Yomogi	770	1922	31.5	12(3)	—	4
Tadé	770	1922	31.5	12(3)	—	4
Wakataké	820	1922	31.5	12(3)	—	4
Kuretaké	820	1922	31.5	12(3)	—	4
Sanaé	820	1923	31.5	12(3)	—	4
Asagao	820	1923	31.5	12(3)	—	4
Yugao	820	1924	31.5	12(3)	—	4
Fuyo	820	1923	31.5	12(3)	—	4
Karukaya	820	1923	31.5	12(3)	—	4

1ST CLASS SUBMARINES

Name	Tonnage (when afloat)	When Completed	Speed (when afloat)	Armament (Centimetres)	High angle guns (Centimetres)	Torpedo tubes
I No. 1	1,955	1926	17.0	14(2)	—	6
I No. 2	1,955	1926	17.0	14(2)	—	6
I No. 3	1,955	1926	17.0	14(2)	—	9
I No. 4	1,955	1929	17.0	14(2)	—	9
I No. 5	1,955	under construction	17.0	14(2)	—	6
I No. 6	1,955	planned	17.0	14(2)	—	6
I No. 21	1,142	1927	14.0	14(1)	—	4
I No. 22	1,142	1927	14.0	14(1)	—	4
I No. 23	1,142	1928	14.0	14(1)	—	4
I No. 24	1,142	1928	14.0	14(1)	—	4
I No. 51	1,390	1924	17.0	12(1)	—	8
I No. 52	1,390	1925	17.0	12(1)	—	8
I No. 53	1,635	1927	19.0	12(1)	—	8
I No. 54	1,635	1927	19.0	12(1)	—	8
I No. 55	1,635	1927	19.0	12(1)	—	8
I No. 56	1,635	1929	19.0	12(1)	—	8
I No. 57	1,635	1929	19.0	12(1)	—	8
I No. 58	1,635	1928	19.0	12(1)	—	8
I No. 59	1,635	1930	19.0	12(1)	—	8
I No. 60	1,635	1929	19.0	12(1)	—	8
I No. 61	1,635	1929	19.0	12(1)	—	6
I No. 62	1,635	1930	19.0	12(1)	—	6
I No. 63	1,635	1928	19.0	12(1)	—	8
I No. 64	1,635	1930	19.0	12(1)	—	6
I No. 65	1,638	under construction	19.0	12(1)	—	6
I No. 66	1,638	"	19.0	12(1)	—	6
I No. 67	1,638	"	19.0	12(1)	—	6
I No. 68	1,400	"	—	12(1)	—	—
I No. 69	1,400	planned	—	12(1)	—	—
I No. 70	1,400	"	—	12(1)	—	—
I No. 71	1,400	"	—	12(1)	—	—
I No. 72	1,400	"	—	—	—	—
I No. 73	1,400	"	—	—	—	—

2ND CLASS SUBMARINES

Ro No. 14	740	1921	17.0	8(1)	—	6
Ro No. 15	740	1921	17.0	8(1)	—	6
Ro No. 16	740	1922	17.0	8(1)	—	6

Name	Tonnage (when afloat)	When completed	Speed (when afloat)	Armament (Centimetres)	High angle guns (Centimetres)	Torpedo tubes
Ro No. 17	740	1921	17.0	8(1)	—	9
Ro No. 18	740	1921	17.0	8(1)	—	9
Ro No. 19	740	1922	17.0	8(1)	—	4
Ro No. 20	740	1922	17.0	8(1)	—	6
Ro No. 21	740	1922	17.0	8(1)	—	6
Ro No. 22	740	1922	17.0	8(1)	—	6
Ro No. 23	740	1923	17.0	8(1)	—	6
Ro No. 24	740	1920	17.0	8(1)	—	6
Ro No. 25	740	1921	17.0	8(1)	—	4
Ro No. 26	750	1923	16.0	8(1)	—	4
Ro No. 27	750	1924	16.0	8(1)	—	4
Ro No. 28	750	1923	16.0	8(1)	—	4
Ro No. 29	665	1923	13.0	10(1)	—	4
Ro No. 30	665	1924	13.0	10(1)	—	4
Ro No. 31	665	1927	13.0	10(1)	—	4
Ro No. 32	665	1924	13.0	10(1)	—	4
Ro No. 51	900	1920	17.0	8(1)	—	6
Ro No. 53	900	1921	17.0	8(1)	—	4
Ro No. 54	900	1921	17.0	8(1)	—	6
Ro No. 55	900	1921	17.0	8(1)	—	6
Ro No. 56	900	1922	17.0	8(1)	—	6
Ro No. 57	900	1922	17.0	8(1)	—	4
Ro No. 58	900	1922	17.0	8(1)	—	4
Ro No. 59	900	1923	17.0	8(1)	—	4
Ro No. 60	998	1923	16.0	8(1)	—	6
Ro No. 61	998	1924	16.0	8(1)	—	6
Ro No. 62	998	1924	16.0	8(1)	—	6
Ro No. 63	998	1924	16.0	8(1)	—	6
Ro No. 64	998	1925	16.0	8(1)	—	6
Ro No. 65	998	1926	16.0	8(1)	—	6
Ro No. 66	998	1927	16.0	8(1)	—	6
Ro No. 67	998	1926	16.0	8(1)	—	6
Ro No. 68	998	1925	16.0	8(1)	—	6
Ro No. 69	700	planned	—	—	—	—
Ro No. 70	700	"	—	—	—	—

TORPEDO BOATS

No. 1	600	planned	—	—	—	—
No. 2	600	"	—	—	—	—
No. 3	600	"	—	—	—	—
No. 4	600	"	—	—	—	—

MINE SWEEPERS

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetres)	High angle guns (centimetres)	Torpedo tubes
No. 1	615	1923	20.0	12(2) 8(1)	—	—
No. 2	615	1923	20.0	12(2) 8(1)	—	—
No. 3	615	1925	20.0	12(2) 8(1)	—	—
No. 4	615	1925	20.0	12(2) 8(1)	—	—
No. 5	615	1929	20.0	12(2)	—	—
No. 6	615	1929	20.0	12(2)	8(1)	—
No. 7	1,030	1911	24.0	12(1) 8(4)	8(1)	—
No. 8	1,030	1911	24.0	12(1) 8(4)	—	—
No. 9	770	1918	24.0	12(2)	—	—
No. 10	770	1918	24.0	12(2)	—	—
No. 11	600	planned	—	—	—	—
No. 12	600	"	—	—	—	—

Name	Displacement (tons)	When completed	Nominal speed (knots)	Main Armaments (Centimetres)	High angle guns (centimetres)	Torpedo tubes
No. 13	600	planned	—	—	—	—
No. 14	600	"	—	—	—	—
SPECIAL SERVICE SHIPS						
Training Ships						
Asahi	12,141	1900	18.2	—	—	—
Shikishima	11,986	1900	18.6	—	—	—
Fuji	9,890	1897	18.25	—	—	—
Target Ships						
Settsu	17,230	1912	21.0	—	—	—
Surveying Ships						
Yamato	1,478	1887	14.0	8(4)	—	—
Koshu	2,270	—	10.3	8(2)	—	—
Transports						
Seito	8,300	1906	10.0	—	8(2)	—
Tsurugizaki	1,970	1917	9.0	—	8(2)	—
Suzaki	9,800	1918	14.0	12(2)	8(2)	—
Muroto	8,751	1918	12.5	12(2)	—	—
Nojima	8,751	1919	12.5	12(2)	—	—
Notoro*	15,400	1920	12.0	12(2)	—	—
Shiretoko	15,400	1920	12.0	12(2)	—	—
Erimo	15,400	1920	12.0	12(2)	—	—
Sata	15,400	1921	12.0	14(2)	—	—
Tsurumi	15,400	1922	12.0	14(2)	—	—
Shiriyu	15,400	1922	12.0	14(2)	—	—
Ishiro	15,400	1922	12.0	14(2)	—	—
Kakureto	15,400	1923	12.0	14(2)	—	—
Hayatomo	15,400	1924	12.0	14(2)	—	—
Naruto	15,400	1924	12.0	14(2)	—	—
Kamoi	19,500	1922	15.0	14(2)	—	—
Mamiya	17,500	1924	14.0	13(2)	—	—
Ice-breaker						
Ohtomari	2,530	1921	13.0	—	8(1)	—

* Note:—The Notoro is at present serving as a sea-plane carrier.

The following ships were discarded from the list on April 1, 1932.

The Manshu (2nd class coast defence ship), Kusunoki, Umé, Kadedé, Katsura, Matsu, Sugi, Kashiwa, Sakaki, Sakura, Tachibana, Kaba, and Kiri (2nd class destroyers), Ro No. 1, No. 2, No. 4, No. 5, No. 11, No. 12, and No. 13 (2nd class submarines), the Takasaki (special service ship).

Ships launched since, October, 1931 are:

The Yaeyama, mine-layer (Oct. 15, at Kuré), Ikazuchi, 1st class destroyer (Oct. 22, at Uraga), Inazuma, 1st class destroyer (Feb. 25, '32, at Osaka), and Hibiki, 1st class destroyer (June 16, at Maizuru).

The Ikazuchi is of 1,700 tons. She is armed with six 12.7 centimetre guns, two machine-guns and nine

torpedo tubes. The 1st class destroyer Hibiki is of 1,700 tons planned for 34 knots. She is also armed with six 12.7 centimetre guns. In building up her hull, electrical autogenous welding is applied wherever it was possible. She is regarded as the first non-rivet ship of the Japanese navy. She was fitted out in May, 1933. The Submarine I No. 65, which was fitted out at the naval dockyard of Kuré made her second trial voyage on April 7, 1931, towards the Bungo straits. She is 97.70 metres long, 7.80 metres wide and has a surface displacement of 1,650 tons. She is capable of doing 18 knots when afloat and is equipped with a number of torpedo tubes.

The planes

The battle planes in use in the Naval Air Force are of type 3 and of another newer type recently adopted. The bombers and torpedo planes in use are of type 13. Some of these machines played an important part in the Sino-Japanese con-

flict in Shanghai, but they are not suitable for an aerial war in the future.

The reconnoitering planes in use are of type 14. They are equipped with a 450 h.p. motor and can cover nearly 200 kilometres an hour. They are armed with a machine-gun mounted behind the seat of the reconnoitering officer, so that he can defend the machine against enemy fire from behind. Their speed is considered too slow for satisfactory service in the future.

There are also a few large sea-planes of type 9-0. No. 1 of these is of metallic material, 21 metres long, 30 metres wide, 12 tons in weight, and is equipped with a number of motors producing 2,100 h.p. in all. Its maximum speed is 220 kilometres an hour. The No. 2 of type 9-0 is 20 metres long, 30 metres wide, 13 tons in weight, and equipped with motors producing 2,400 h.p. in all. Both of them are superior in capacity to the PN-12 of the American Navy, which has a speed of less than 200 kilometres.

OCCUPANTS OF SENIOR COMMANDS (Feb. 10, 1933)

(1) YOKOSUKA NAVAL STATION:

Name and Rank	Command
Vice-Admiral Kichisaburo Nomura	Naval Station
Rear-Admiral Kichijiro Hamada	Staff
" Hiroshi Kawahara	Ships' Department
" Chonan Yamaguchi	Personnel ..
Captain Setsuo Kabashima	Harbour ..
Vice-Admiral Toyotaro Murata	Naval Arsenal
Rear-Admiral Yasuo Ikebé	Paymasters' Department
" Chozo Takamatsu	War Materials ..
Engineer Noburu Yoshida	Building ..
Rear-Admiral Bungoro Abé	Naval Hospital
Vice-Admiral Yuriichi Edahara	Aeronautic Arsenal
Rear-Admiral Toraroku Akiyama	Marine Division

(2) KURÉ NAVAL STATION:

Vice-Admiral Ryoza Nakamura	Naval Station
Rear-Admiral Tokutaro Sumiyama	Staff
Captain Iori Matsuzaki	Personnel Department
" Sadao Yamada	Harbour ..
Rear-Admiral Kanefusa Nakano	Ships' ..
" Shigeru Matsushita	Naval Arsenal
Constructor Captain Shigeharu Kuwabara	Naval Engineers' Assistants' Training School

Name and Rank	Command
Rear-Admiral Teijiro Toyoda	Naval Arsenal at Hiro
Vice-Admiral Yasusada Yoshika	Naval Fuel Factory
Rear-Admiral Toshio Tannawa	Paymasters' Department
Captain Juro Nagoya	War Materials ..
Engineer Shigeo Shiraishi	Building ..
Rear-Admiral Hisashi Fukushima	Naval Hospital
" Tadashi Kurata	Marine Division
(3) SASEBO NAVAL STATION:	
Vice-Admiral Seizo Sakonji	Naval Station
Rear-Admiral Yoshiyuki Niyama	Staff
Captain Noboru Hirata	Personnel Department
" Seizo Matsuno	Harbour ..
Rear-Admiral Mikinosuke Yamamoto	Naval Arsenal
" Juzo Sasaki	Paymasters' Department
" Yutaka Arima	Ships' ..
" Masaji Hadamé	Building ..
Rear-Admiral Tadao Fushishima	Naval Hospital
" Seizaburo Mitsui	Marine Division
(4) AUXILIARY NAVAL STATIONS:	
Vice-Admiral Nobujiro Imamura	Maizuru Auxiliary Station
Rear-Admiral Toyonaka Yamanouchi	Mako
" Hiroshi Ohno	Ohminato
" Koichi Shiozawa	Chinkai
(5) FLEETS AND SQUADRONS:	
Vice-Admiral Seizo Kobayashi	1st Fleet
" Nobumasa Suetsugu	2nd ..
" Mitsumasa Yonai	3rd ..
" Gengo Hyakutaké	Training Squadron
Rear-Admiral Tsuneyoshi Sakano	1st Japanese Squadron Abroad
" Shizue Tsuda	2nd

Note: Vice-Admiral Seizo Kobayashi is also Commander-in-Chief of the Combined Fleet.

NAVAL ATTACHÉS TO JAPANESE EMBASSIES AND LEGATIONS

Name and Rank	Post
Captain Takamoto Togari	Embassy in Paris
Lieut.-Commander Yusuké Ohtani	" " Rome
Captain Kiichi Endo	" " Berlin
" Osamu Sato	Legation in China
Commander Minoru Maeda	Embassy in Moscow
Captain Jin Kobayashi	" " Washington
" Kohei Ochi	Legation in Mexico City
Commander Kenzo Ito	" " Buenos Aires
" " "	" " Rio de Janeiro
" " "	" " Santiago
Captain Orata Oka	Embassy in London

Naval Promotion

Officers are promoted by selection, and candidates for special promotion are selected at the conference of the Admirals' Council.

The regular course of promotion

for them is: Midshipmen, over one year's service on a training ship; 2nd Sub-Lieutenants, over one year's service; 1st Sub-Lieutenants, over 18 months' service, including 6 months' service in Torpedo or Gunnery School. Lieutenants of over 4

years' service are promoted to Lieutenant-Commander.

Special service 1st Sub-Lieutenants, over two years' service; Special service 2nd Sub-Lieutenants, over three years' service. Special

service Lieutenants (combatants, engineers and paymasters) may be promoted to Lieutenant-Commander by special appointment.

The qualifications for subsequent promotion are as follows:

Promotion	Minimum Service in Lower Rank
Commanders—Lieutenant-Commanders	2 years
Captains—Commanders	2 "
Rear-Admirals—Captains	2 "
Vice-Admirals—Rear-Admirals	2 "
Admirals—Vice-Admirals	2 "
	Period determined by Imperial order subject to special merit

N. B. 1st class warrant or ranking officer of over 6 years in the service may be promoted to 1st Lieutenant or ranking officer.

CHAPTER IX

PUBLIC FINANCE

General Outline

If the progress of a nation can be measured by the change in Government finance, we can learn, by a perusal of this chapter, of how Japan has stepped into the very limelight of the world within the 65 years that have elapsed since the Emperor Meiji took over the reins of government from the last of the Tokugawa Shoguns. The first 10 years, from the Restoration (1868) to the Satsuma Rebellion (1877), were, so to speak, years of preliminary training in government finance. The few following years were years of readjustment, for a rapid increase of State expenses and the consequent reckless issue of Government notes following the outbreak of the rebellion, necessitated a complete overhauling of government finance. State expenditure had to be curtailed and the tax system improved. The opening of the Imperial Diet in 1890 was the beginning of an epoch for the financial system of Japan. For the next 22 years, from 1890 to 1912, when the reign of the Emperor Meiji ended, Japanese finance centred round national defence. During this period Japan went through the two severe ordeals, the Sino-Japanese War and Russo-Japanese War. State expenditure had greatly expanded and a signal change was made in the bond policy and tax system. For the next 14 years, from the beginning of the Taisho Era, 1912, to its passing in 1926, State finances was characterized by being based on the World War. Expenditure increased considerably during this

period owing to the Government taking part in the encouraging and financing of various new enterprises. The total revenue and expenditure of the Japanese Government at the beginning of the Meiji Era were maintained around the ¥30,000,000 mark, but in recent years they have reached as high as from ¥1,500,000,000 to ¥1,800,000,000 each (for general accounts only). This is a phenomenal change indeed.

Sources of Income Early in the Meiji Era the land tax constituted the chief financial source of revenue for the State, consequently the farmers provided by far the greater part of the revenue, and the burden businessmen and industrialists had to bear for the State was very small. The tax revenue in the first year of Meiji amounted to ¥3,150,000, of which the land tax yielded more than 60 per cent. A tax revision was carried out in 1875 and, in consequence, the Government established various new taxes as direct sources of State income.

The Sino-Japanese and Russo-Japanese wars also brought about noteworthy changes in the State finances, because the necessary funds were raised by the issuance of bonds and the imposition of heavy taxes on people. As the Taisho Era coincided with the World War and post-war prosperity periods it was marked by phenomenal business and industrial expansion and increase in State revenue. During this time it became more than apparent that a thorough readjustment of the tax system was necessary, if the burden of taxation was to be equitably dis-

tributed. A thorough investigation was made, and after much forethought and drawing on experiences of the past the present system was evolved. The yearly tax revenue in recent years has been around ¥900,000,000, which is 60 per cent. of the total State expenditure. The customs tariff, because of its international aspect was harder to arrange and the adoption of a national tariff by Japan instead of a conventional one was only realized after difficult diplomatic negotiations.

Japan has a monopoly system of its own, and though a monopoly differs from a tax in principle it is the same in substance. In Japan proper there is a government monopoly in tobacco, salt and camphor and in the colonies one is enforced in saké, opium, ginseng and other special products. The tobacco monopoly is not different in nature from the excise tax on saké distillation and the revenue accruing from it occupies an important position in government finance. It is thus necessary, to obtain a complete understanding of the financial system of Japan, not to ignore the monopoly.

Bonds form an integral part of the country's finance as well as the State revenue and taxes. Bonds were first issued in Japan in 1870 in the form of foreign loans. The first domestic bonds were issued in 1873 by the Meiji Government for the purpose of raising funds to take over the entire amount of debts of the feudal clans. Subsequent issues of bonds followed the outbreak of the Sino-Japanese and Russo-Japanese wars. The nationalization of the railways caused a further increase in the bond issue and at the end of 1912, the closing year of the Meiji Era, the total debts of the Central Government amounted to ¥2,500,000,000. During, and immediately after the Great War, there was

great activity in financial circles and the Government made large issues of bonds for the purpose of obtaining funds for starting or subsidizing various new industries. The expenses of the Siberian Expedition and Japan's participation in the World War on the Allies' side were met by bond issues as emergency funds and later, the money necessary for the reconstruction of Tokyo and other Kwanto districts devastated by the great earthquake and fire of 1923 was also raised by means of domestic and foreign bonds. The Government also had to issue a great number of bonds for readjustment of the so-called Earthquake Bills and for special loan accommodation to banks after the banking crisis of 1927. Japan's national debts have thus mounted to more than ¥6,000,000,000.

Local Finance Provincial government finance has moved in line with the Central Government finance. The feudal clans were abolished and replaced by prefectural governments in July, 1871, and the total prefectural finance was only ¥16,000,000 in 1873. The promulgation of the city, town and village administration system in 1888 and that of the prefectural administrative system in 1890 were great events marking the establishment of self-government. Provincial expenditure which amounted to ¥43,000,000 in 1891, had increased to ¥336,000,000 by 1926, the largest increase being in the Taisho Era, when, benefiting from the effects of the war-boom on domestic finance and economy and following the lead and encouragement of the Central Government the prefectural and other self-governing bodies launched all kinds of enterprises, issuing bonds and increasing local taxes to obtain the necessary funds. In the fiscal year 1928-29 the total revenue of all self-governing

bodies amounted to ¥1,730,000,000, being five times greater than that of 15 years before.

Accounts System

In the second year of Meiji, 1869, Shigenobu Okuma (later Marquis Okuma) submitted to the Government a plan calling for the establishment of an accounts system to prevent a reckless disbursement of administrative expenses. In due course, and as a result of this plan, a Ministry of Finance and a fiscal year starting with October and ending with September were instituted. When Hirobumi Ito (later Prince Ito) came home from his inspecting trip to America in 1873, he offered valuable advice to the Government on a financial system and this caused the Government to announce its estimates of accounts. This marked an important point in the accounts system of Japan as it was the prototype of the Government budget, but because of the lack of system, the budget of each Ministry was subject to change by the administrative chief. The fiscal year was changed to from April to March in 1886, and has been so observed since. The opening of the Imperial Diet in 1890 brought about a great improvement in the accounts system of Japan, for each budget has since been subject to approval, and Government income and expenditure has thus come under supervision. The Board of Audit under direct control of the Emperor was also established and to it is assigned the duty of inspecting the Government accounts. These perfected the constitutional accounts system of the Government and at the same time the Accounts Law was promulgated in 1889 and has been enforced since April 1, 1890. This law laid the foundation of the accounts system of Japan and in 1921 it was revised from the so-called

"safe" system to the "deposit" system, i. e., the depositing of Government funds in the Bank of Japan.

Special Accounts

Special accounts for the Government's enterprises existed independently of general accounts, before the promulgation of the Accounts Law in 1889. Railway funds, readjustment loans, enterprise funds, hypothec funds and others were included among the special accounts, which were unified by a law issued in 1889. The number of special accounts for the 1890-91 fiscal year was 33, which increased to 61 in 1908. Mr. Yuko Hamaguchi, Finance Minister of the Kato (Takaki) Cabinet, made a substantial readjustment of special accounts in 1925 and reduced the number to 31. Subsequently, the health insurance special accounts, the postal annuity special accounts and live-stock re-insurance special accounts were established. The present number of special accounts is 34 and is as follows: (1) China Cultural Enterprise, (2) Health Insurance, (3) Government Mint, (4) Printing Bureau, (5) Monopoly Bureau, (6) Deposits Bureau, (7) Education Funds, (8) National Loan Readjustment Funds, (9) Public Loans, (10) Indemnity, (11) National Property Readjustment Funds, (12) Education Improvement and Agricultural Village Promotion Funds, (13) Korean Government-General, (14) Korean Railway Stores Funds, (15) Formosan Government-General, (16) Formosan Railway Stores Funds, (17) Kwantung Government, (18) Karafuto Government, (19) South Seas Government, (20) Army Arsenal, (21) Senju Military Cloth Manufactory, (22) Naval Arsenal, (23) Naval Gunpowder Magazines, (24) Naval Fuel Factories, (25) Imperial Universities, (26) Government Colleges,

(27) Government Schools and Libraries, (28) Rice Demand and Supply Regulation, (29) Live-Stock Re-insurance, (30) Government Steel Works, (31) Post Office Life Insurance, (32) Korean Post Office Life Insurance, (33) Postal Annuity Service, and (34) Imperial Government Railways.

The Monopoly System

The Government Monopoly System was established with the promulgation of the regulations for the tobacco monopoly in March, 1896. At present the monopoly enterprises include tobacco, salt and camphor. In addition, the Formosan Government-General undertakes a monopoly service for camphor, tobacco, salt, saké and opium, and the Korean Government-General does the same for tobacco, ginseng, salt, and opium. It was early in the Meiji Era that the Government thought that it might be profitable for it to monopolize tobacco and make it a source of Government revenue, and so, when in 1875 the Government defined the categories of national and provincial taxation, it reserved to itself the tax on tobacco. The tobacco monopoly was created to meet the increased national expenditure after the Sino-Japanese War and was enforced from January 1, 1897. The receipts from the tobacco tax between 1875, when the tax was adopted, and the enforcement of the monopoly system, 1896, totalled only ¥37,000,000. At first the monopoly was limited to leaf tobacco, but, during the Russo-Japanese War, it was extended to include tobacco manufacturing. This law was enforced from July 1, 1904. The proceeds of the tobacco monopoly in the 1905-6 fiscal year amounted to only ¥32,000,000; in 1921 they were ¥120,000,000; and in the 1930-31 fiscal year totalled ¥177,000,000. The Salt Monopoly

Bill was submitted to the 22nd session of the Diet, was legalized in December, 1904, and put into force on June 1, 1905. No large benefits are derived from the monopoly; the proceeds for the fiscal years 1906-7 and 1907-8 reached only ¥24,000,000 or so, the amount rather meant a loss than a gain to the Government. As far as the salt monopoly is concerned, the Government has failed to make it a successful venture. The Camphor Monopoly Law was promulgated in 1903 and enforced in October of the same year, but the results so far attained are the same as those of the salt monopoly and are not satisfactory. The Monopoly Bureau was organized in 1907 to unify the monopoly system. At present there are 17 provincial monopoly bureaux.

Finance as Seen from the Budget

The first Meiji Government budget covered 13 months, from December of the 3rd year of Keio, or 1867, to December of the first year of Meiji, 1868. The Government revenue was small, due to the confused internal political situation incidental to the Meiji Restoration.

Note Issue The greater part of the revenue came from the issue of notes. The total revenue for the year was ¥33,089,000 as against a total expenditure of ¥30,505,000. Tax income totalled only ¥3,157,000, including ¥2,000,000 from the land tax, ¥700,000 from customs duties and the remainder from other sources. The ordinary revenue for the year was only ¥3,664,000, but the extraordinary revenue for the year was ¥29,000,000, which was produced out of the issue of ¥24,000,000 Dajokan notes, a loan of ¥3,800,000, and a foreign loan of ¥890,000 from the Oriental Bank in Yokohama and other foreign business firms there. In addition, there was ¥360,000 left

by the Tokugawa Shogunate. Extraordinary expenditure was apportioned as to loans, ¥9,000,000; expenses of sending the Expeditionary Army against the Tokugawas by the Kyoto Imperial Court, ¥3,300,000; hypothec loans, ¥9,000,000; loans to feudal clans, ¥9,000,000; and others. As ordinary expenditure, ¥1,000,000 was devoted to army and navy expenses and ¥900,000 for salaries and allowances. One of the conspicuous items in early Meiji finance was the reckless issue of notes to meet any revenue deficiency. In the first year of Meiji notes totalling ¥24,000,000 were issued, in the second year ¥23,960,000, the third year ¥5,350,000, fourth year ¥2,140,000 and in the fifth year the issue amounted to ¥6,800,000 (Finance Ministry notes), ¥2,500,000 (Colonial Ministry notes) and ¥8,520,000 (new notes). During the early period of Meiji the financial condition of the State was consolidated by means of the establishment of the necessary Government institutions, the adoption of budgetary accounts regulations, and the preparation of a budgetary statement, and further, the revision of the land tax act, saké tax act and sundry other taxes as well as the readjustment of miscellaneous provincial taxes that had existed during the feudal period were undertaken. Finance based on provincial distribution was replaced by the Government centralization policy. The Satsuma Rebellion of 1877 was a grave affair for Government finance. The incident required an enormous amount of money and in order to raise the money the Government issued ¥27,000,000 notes and ordered the Fifteenth National Bank to issue ¥15,000,000 bank notes. The war expenses amounted to ¥41,560,000, a huge amount for the financial condition of the Government at that time.

Tax Income The State revenue of the Meiji Government about the time of the Satsuma Rebellion was about ¥50,000,000 a year. Of this, the tax income totalled ¥48,000,000, and this figure shows that the greater part of the Government revenue consisted of taxes. The tax income for 1877 amounted to ¥49,000,000, of which the principal items were the land tax ¥39,400,000, saké tax ¥3,000,000, customs duty ¥2,350,000. In addition, the ordinary revenue amounted to ¥1,650,000 from the proceeds from enterprises and ¥400,000 from miscellaneous items. The extraordinary revenue amounted to ¥2,300,000. Against this the total expenditure was ¥48,000,000, of which the Government institutional expenses took ¥18,000,000 and the interest on Government loans ¥15,000,000. Of the institutional expenses, the War Office expenses were the largest with ¥6,000,000 and next came ¥3,000,000 for the Navy Office expenses.

First Budget in the Diet The revenue and expenditure of the general accounts of the Government till 1889 did not exceed ¥100,000,000 each, but the following year witnessed a revenue of ¥160,000,000 as against an expenditure of ¥80,000,000. The Government Budget for the 1891-92 fiscal year was the first to be submitted to the Diet, which had been opened in 1890. This was the inception of the budget system in Japan. The budget submitted by the Government to the Diet was for ¥83,000,000 each for income and expenditure, the latter being later reduced to ¥77,000,000. The gist of a speech delivered by the then Finance Minister Masayoshi Matsukata in the House of Representatives on December 10, 1890, at the first Diet session, spoke volumes for the financial condition of those days. His speech was substantially as follows:

"The Government submits for

your approval the 1891-92 fiscal year's budget involving ¥83,114,000 of revenue and ¥83,075,000 of expenditure, revenue exceeding expenditure by ¥39,000. As compared with the preceding fiscal year, there is a decrease in revenue of ¥1,956,000 and in expenditure of ¥1,827,000. The additional budget involves a sum of ¥7,890,000, including ¥5,210,000 for warship construction, the remaining amount being for railway and telegraphic construction expenses. The amount is to be disbursed in 5 years from the 1891-92 fiscal year. The amount for railway construction involving ¥2,500,000 is to be disbursed in two years starting from the next fiscal year and the telegraphic construction expenses of ¥180,000 are planned for disbursement during the 1891-92 fiscal year. Such a large amount of funds cannot be raised by ordinary revenue and unavoidably it has to be raised by extraordinary means. Fortunately, the Government has a surplus of ¥7,890,000 from the 1889-90 and 1888-89 fiscal years, due to the general economic boom of those years. Recognizing it necessary to devote the surplus funds to useful enterprises, the Government has submitted the additional budget. As regards bonds, the total debts of the Central Government between the first year of the Meiji Era, 1868, to August, 1890, amounted to ¥399,000,000, of which ¥145,000,000 were redeemed, leaving a balance of national debts of ¥254,000,000, of which foreign debts amount to ¥5,000,000. If a loan of ¥22,000,000 from the Bank of Japan for this year's depreciation of notes is added, the total debts amounted to ¥276,000,000. It is a matter of paramount importance that the Government liquidate its indebtedness in times of peace and for this purpose, the Government has laid aside more than ¥20,000,000 yearly since 1878

to meet principal and interest payments. The Government intends to redeem all these debts within the next 30 years, that is, before 1917. As regards the readjustment of paper notes, the Government has experienced great financial difficulty in the past, but has now almost perfected a method of readjustment. Unavoidable circumstances since the Meiji Restoration have caused the Government to issue notes to the amount of ¥120,000,000. Readjustment has been arranged for these. When the convertible note system was enforced in 1886, ¥14,000,000 out of the paper notes were converted into public loans, ¥43,000,000 were converted into specie, ¥24,000,000 were paid off at once and the remaining amount is now about ¥40,000,000, and of this ¥8,000,000 is in petty notes below 50 sen denomination. The Government annually disburses ¥1,000,000 out of its ordinary revenue for sinking funds. The financial position of Japan at present, unlike foreign countries, is not free and favourable, but is difficult to manage. Strenuous efforts are necessary for the country to consolidate its financial foundation."

Mr. Taku Ohyé, chairman of the budget committee in the House, reported the results of investigation on the budget to the Diet and declared that the amount required for the salaries of Government officials was too much compared with the extent of national wealth. A great reduction in the budget was therefore made. The original estimates of ¥83,324,254 were cut by ¥6,312,001 to ¥77,012,252, a substantial reduction at that time.

Sino-Japanese War

The Sino-Japanese War imparted a great impetus to Japanese finance. The war started in June, 1894, and ended in March, 1895. The enor-

by the Tokugawa Shogunate. Extraordinary expenditure was apportioned as to loans, ¥9,000,000; expenses of sending the Expeditionary Army against the Tokugawas by the Kyoto Imperial Court, ¥3,300,000; hypothec loans, ¥9,000,000; loans to feudal clans, ¥9,000,000; and others. As ordinary expenditure, ¥1,000,000 was devoted to army and navy expenses and ¥900,000 for salaries and allowances. One of the conspicuous items in early Meiji finance was the reckless issue of notes to meet any revenue deficiency. In the first year of Meiji notes totalling ¥24,000,000 were issued, in the second year ¥23,960,000, the third year ¥5,350,000, fourth year ¥2,140,000 and in the fifth year the issue amounted to ¥6,800,000 (Finance Ministry notes), ¥2,500,000 (Colonial Ministry notes) and ¥8,520,000 (new notes). During the early period of Meiji the financial condition of the State was consolidated by means of the establishment of the necessary Government institutions, the adoption of budgetary accounts regulations, and the preparation of a budgetary statement, and further, the revision of the land tax act, saké tax act and sundry other taxes as well as the readjustment of miscellaneous provincial taxes that had existed during the feudal period were undertaken. Finance based on provincial distribution was replaced by the Government centralization policy. The Satsuma Rebellion of 1877 was a grave affair for Government finance. The incident required an enormous amount of money and in order to raise the money the Government issued ¥27,000,000 notes and ordered the Fifteenth National Bank to issue ¥15,000,000 bank notes. The war expenses amounted to ¥41,560,000, a huge amount for the financial condition of the Government at that time.

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your approval the 1891-92 fiscal year's budget involving ¥83,114,000 of revenue and ¥83,075,000 of expenditure, revenue exceeding expenditure by ¥39,000. As compared with the preceding fiscal year, there is a decrease in revenue of ¥1,956,000 and in expenditure of ¥1,827,000. The additional budget involves a sum of ¥7,890,000, including ¥5,210,000 for warship construction, the remaining amount being for railway and telegraphic construction expenses. The amount is to be disbursed in 5 years from the 1891-92 fiscal year. The amount for railway construction involving ¥2,500,000 is to be disbursed in two years starting from the next fiscal year and the telegraphic construction expenses of ¥180,000 are planned for disbursement during the 1891-92 fiscal year. Such a large amount of funds cannot be raised by ordinary revenue and unavoidably it has to be raised by extraordinary means. Fortunately, the Government has a surplus of ¥7,890,000 from the 1889-90 and 1888-89 fiscal years, due to the general economic boom of those years. Recognizing it necessary to devote the surplus funds to useful enterprises, the Government has submitted the additional budget. As regards bonds, the total debts of the Central Government between the first year of the Meiji Era, 1868, to August, 1890, amounted to ¥399,000,000, of which ¥145,000,000 were redeemed, leaving a balance of national debts of ¥254,000,000, of which foreign debts amount to ¥5,000,000. If a loan of ¥22,000,000 from the Bank of Japan for this year's depreciation of notes is added, the total debts amounted to ¥276,000,000. It is a matter of paramount importance that the Government liquidate its indebtedness in times of peace and for this purpose, the Government has laid aside more than ¥20,000,000 yearly since 1878

to meet principal and interest payments. The Government intends to redeem all these debts within the next 30 years, that is, before 1917. As regards the readjustment of paper notes, the Government has experienced great financial difficulty in the past, but has now almost perfected a method of readjustment. Unavoidable circumstances since the Meiji Restoration have caused the Government to issue notes to the amount of ¥120,000,000. Readjustment has been arranged for these. When the convertible note system was enforced in 1886, ¥14,000,000 out of the paper notes were converted into public loans, ¥43,000,000 were converted into specie, ¥24,000,000 were paid off at once and the remaining amount is now about ¥40,000,000, and of this ¥8,000,000 is in petty notes below 50 sen denomination. The Government annually disburses ¥1,000,000 out of its ordinary revenue for sinking funds. The financial position of Japan at present, unlike foreign countries, is not free and favourable, but is difficult to manage. Strenuous efforts are necessary for the country to consolidate its financial foundation."

Mr. Taku Ohyé, chairman of the budget committee in the House, reported the results of investigation on the budget to the Diet and declared that the amount required for the salaries of Government officials was too much compared with the extent of national wealth. A great reduction in the budget was therefore made. The original estimates of ¥83,324,254 were cut by ¥6,312,001 to ¥77,012,252, a substantial reduction at that time.

Sino-Japanese War

The Sino-Japanese War imparted a great impetus to Japanese finance. The war started in June, 1894, and ended in March, 1895. The enor-

mous amount of ¥200,000,000 was needed to pay for it.

Japan got 200,000,000 taels of war indemnity from China as the result of the Shimonoseki Peace Treaty and also 85,000,000 taels as recompense for the retrocession of Liaotung Peninsula. This amount made good the war expenses Japan paid, but immediately after it State finance increased tremendously. The Government appropriated ¥190,000,000 into the general budget for the 1896-97 fiscal year, being double that of the year before. The increase was caused through armament expansion, the management of Formosa (which was the territory ceded by China), expansion of traffic and communications and sundry other enterprises necessary for national

development. The Government appropriated for 32 kinds of continuation enterprises ¥180,000,000 in 1896 and of this amount ¥48,000,000 was apportioned for that year only. The majority of continuation enterprises were armament expansion such as ¥47,000,000 for warship construction, ¥83,000,000 for naval ordnance, ¥17,000,000 for army expenses, and ¥14,000,000 for naval construction. These enterprises spread over from two to nine years. It is necessary to explain the war indemnity special accounts to know the financial expansion. Converted into the Japanese currency, the indemnity totalled ¥372,599,488. Excluding the maintenance funds for the Weihaiwei guard, the indemnity of ¥364,599,656 was used for the following purposes:

All supplementary funds to extraordinary war funds	¥ 78,967,164
Army expansion funds	56,798,638
Navy expansion funds	139,259,387
Establishment of Government Steel Works	679,762
Transferred to general accounts for 1897-98 fiscal year	3,214,484
Transferred to general accounts for 1898-99 fiscal year	12,000,000
Transferred to Imperial Household accounts	20,000,000
Warship and torpedo funds	30,000,000
Educational funds	10,000,000
Balance at the end of 1902-3 fiscal year	3,700,218

Russo-Japanese War and Post-War Finance

The Russo-Japanese War began in February of 1904 and ended in September of 1905 with the conclusion of the Portsmouth Treaty. Japan spent ¥1,716,000,000 in war expenses (extraordinary war funds special accounts) during the period of one year and four months. In addition, extraordinary expenses spent by various Ministries in connection with the War amounted to ¥238,000,000, thus making an aggregate of ¥1,954,000,000. The war funds were raised by means of taxes to the amount of ¥215,000,000, surplus funds totalling ¥147,000,000, special funds of ¥670,000,000 (an

aggregate of ¥430,000,000), and the remainder by floating public loans and obtaining temporary advances totalling ¥1,559,000,000. The Government increased taxes on all the principal items on the tax list and also expanded the spheres of the oil consumption tax and the tobacco monopoly system, thereby raising ¥62,000,000. It also established the textile consumption tax and transit tax and introduced the salt monopoly, thereby realizing an income of ¥74,000,000. During the time the War was in progress, four new Divisions were formed with the approval of the Diet, in the 1906-7 fiscal year two more Divisions were established. In consequence, six Divisions were added to the existing

18 Divisions and these constituted the standing army. In the Navy, two warships, the Nisshin and Kasuga, were purchased during the War, and after the War naval expansion was carried out, resulting in the increase of total warship tonnage from 260,000 tons before the War to 513,000 tons in 1908. The railway nationalization bill was approved in the 22nd session of the Imperial Diet and was enforced in 1907. The Government issued ¥476,000,000 bonds for the purpose of nationalization. A considerable increase was made in State expenditure after the War. The 1904-5 fiscal year's expenditure of the general accounts totalling ¥277,000,000 increased to ¥600,000,000 in 1907 and those of the special accounts made a remarkable increase from ¥130,000,000 to ¥678,000,000 during the same period. In tax revenue, the amount of ¥190,000,000 for 1904 doubled by 1907. Cries for financial retrenchment began to be heard. The Saionji Cabinet and the second Katsura Cabinet tried to retrench but without success.

Finance during the Taisho Era

A financial retrenchment policy was adopted by the Government early in the Taisho Era. Japan's foreign trade witnessed a marked increase in the excess of imports and its national debts increased heavily. The specie reserve quickly dwindled. How to bring about an equilibrium in the international debit and credit relations formed a source of great concern. A great change was made in Japan's financial and economic conditions by the outbreak of the World War in July, 1914. Japan participated in the War on the Allies' side and sent its expeditionary force to Shantung. The Okuma Cabinet was responsible for Japan's participation. Prior to

this, a two-Division increase controversy formed the cause of the downfall of the Saionji Cabinet, but the outbreak of the War solved the problem. Two army divisions were established in Korea. The army readjustment plan, the eight-four squadron programme, naval construction and other wartime expenses contributed to a financial expansion. The Government expenditure for the 1918-19 fiscal year totalled more than ¥1,000,000,000, showing a 40 per cent. gain over the year before. The continuation expenses commencing with the 1918-19 fiscal year totalled more than ¥1,000,000,000. The Government revised taxes, raised the income tax by 15 per cent., alcoholic drink tax by 14 per cent. and beer tax by 20 per cent. and established a wartime profit tax, the result being an increased revenue of ¥63,000,000.

The World War Japanese economic prosperity attained its high-water mark during the World War. A considerable increase was made in the country's visible and invisible foreign trade. An excess of exports over imports in the visible trade for 1915, 1916, 1917 and 1918 recorded an aggregate of ¥1,400,000,000 and that in the invisible trade reached nearly the same amount. This resulted in a remarkable increase of specie. The amount of specie holdings at the end of 1914 was only ¥340,000,000, but this had increased to as much as ¥2,180,000,000 by the end of 1920. The Hara Cabinet which replaced the Terauchi Cabinet in September, 1918, took advantage of the war-time boom to carry out an inflation policy, funds being specially allotted to armament replenishment and to the perfecting of traffic and communication arrangements. In connection with the completion of the eight-eight battle squadron programme, spon-

sored by the navy, the continuation expenses of ¥408,000,000 for warship construction were increased by ¥750,000,000. National defence expenses involving the army and navy totalled ¥620,000,000, of which ¥242,000,000 was for the army and the rest for the navy. A new appropriation of ¥225,000,000 was added to the existing appropriation of ¥292,000,000 for the telephone enterprise, to be disbursed over eight years commencing 1920; and in the telegraphic enterprises ¥74,000,000 was to be spent in the following seven years. The enormous amount of ¥1,420,000,000 was set aside for railway enterprises, spread over 10 years. The Government expenditure for the 1922-23 fiscal year totalled ¥1,491,000,000. To raise this amount bonds were issued, the sinking fund was suspended and taxes increased. The great financial reaction that overtook Japan in 1920 and the great Kwanto earthquake and fire of 1923 precipitated Japanese finance and economy into a miserable plight. These incidents virtually formed the causes of the difficulties in national finance and economy which now faced the country.

Financial Readjustment. The Katō (Tomosaburo) Cabinet carried out a great financial readjustment. The Washington Treaty was ratified in Japan in August, 1922. According to the 1923-24 fiscal year's budget formulated by this Cabinet the basic naval plan was so changed that the Government reduced naval continuation expenses by ¥200,000,000 and was also able to make a cut of ¥70,000,000 in other enterprises. Substantial cuts were made in the income, business, stamp and drug taxes and the oil consumption tax was abolished. The reduction totalled ¥14,000,000. The sinking fund system was restored and ¥42,000,000 was devoted to it. Immediately

after the death of Premier Viscount Katō in August, 1923, the great Kwanto earthquake took place. The disbursement of ¥572,000,000 on a six-year programme for earthquake reconstruction work was fixed by the Yamamoto Cabinet that succeeded the Kato Cabinet, and all these expenses were to be raised by bonds. The Yamamoto Cabinet was in existence for only four months and the Kiyoura Cabinet, which succeeded it, had to enforce the plan. The Government raised a £25,000,000 loan in London and a \$150,000,000 loan in New York. These foreign loans totalled ¥550,000,000, and of this ¥350,000,000 was devoted to the conversion of sterling bonds, which matured in February and July, 1925, and the remaining amount was used for earthquake and fire reconstruction. A financial retrenchment policy was adopted by the Coalition Cabinet headed by Premier Count Takasaki Kato of the Kenseikai. The Cabinet was inducted in June, 1924. To begin with, a no-loan policy was adopted by the Cabinet and taxation readjustment was also enforced. An independent Kenseikai Cabinet took the place of the Coalition Cabinet in March, 1925. Thoroughgoing revision was introduced into the income, land, business, inheritance, saké, textile consumption and hemp taxes. The transit, soy sauce, and drug taxes were revised and the capital interest and soft drink taxes were created. A reduction of ¥37,000,000 in taxes was realized for the 1926-27 fiscal year.

Finance of the Showa Era

For the first six years of Showa, 1926-32, two Seiyukai and two Minseito Cabinets came into power in turn. The former stands for a traditional inflation policy, while the latter for a deflation policy. Fi-

ancial retrenchment was carried out by the Minseito Cabinet and the gold embargo was lifted by the Hamaguchi Cabinet (Minseito) on January 11, 1930. Mr. Junnosuké Inouyé, Finance Minister of that Cabinet, adopted a no-loan policy. A noteworthy financial retrenchment was carried out by Mr. Inouyé in the 1930-31 fiscal year's budget and,

in spite of a strenuous protest of the army and navy against the retrenchment, he was successful in effecting a saving of ¥35,063,000, of which ¥26,733,000 was the result of reduction of administrative expenses and ¥8,330,000 by the postponement of different enterprises. The reduction is classified as follows, according to various Ministries:

Ministries	Expenses saved in	Expenses saved	Total amount
	administrative	by postponing	
	expenses	enterprises	
	(In ¥ 1,000)		
Foreign	241	—	241
Home	5,114	1,660	6,783
Finance	1,361	433	1,795
War	6,694	1,164	7,858
Marine	4,731	2,536	7,267
Justice	894	8	903
Education	883	589	1,472
Agriculture and Forestry	1,843	1,638	3,481
Commerce and Industry	237	171	2,502
Overseas	2,347	—	2,347
Total	26,733	8,330	35,063

A Drastic Cut. The amount thus saved was not enough to meet a deficiency in revenue. At first, the Government intended to save at least ¥100,000,000 by means of administrative readjustment, but a controversy was raised over the abolition of the Overseas Ministry and other administrative organizations making it impossible for the Government to be able to realize its full retrenchment policy. The Government was thus confronted with a great difficulty in the formulation of the 1932-33 fiscal year's budget. Eventually, Finance Minister Inouyé formulated the budget on his own initiative and peremptorily ordered all Ministries to abide by it. Such an event had never been known before, in ordinary times, in the financial history of Japan. In the budget all appropriations for new enterprises were laid aside. The draft budget, sponsored by the Finance Ministry, involved the total amount of ¥1,332,805,000 and the

amount thus to be saved was ¥120,800,000, of which ¥98,320,000 was by administrative expenses readjustment and ¥22,480,000 was raised by postponing enterprises. It was decided to establish in connection with the amalgamation of the Ministry of Agriculture and Forestry, and Ministry of Commerce and Industry, a Ministry of Industrial Affairs, but the establishment, as well as the amalgamation was shelved. At first the Finance Ministry demanded the army to retrench to the extent of ¥27,000,000 and the navy to the amount of ¥23,000,000, making an aggregate of ¥50,000,000. Of this, however, the army agreed to save only ¥10,000,000 and the navy ¥8,500,000, with a total of ¥18,600,000 in striking contrast to the amount of retrenchment originally planned by the Finance Ministry. Moreover, the army demanded an appropriation of ¥6,500,000 and the navy ¥6,000,000 for their new enterprises. This was a source of great concern

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to the Cabinet. As the result of consultation among the Cabinet Ministers, excluding the War and Navy Ministers, it was decided that the Government should demand a curtailment from the army and navy of ¥40,000,000. After Mr. Inouyé's direct negotiations with the Army and Navy Ministers, the Government was able to save ¥31,600,000 from the army and navy accounts, but the amount thus saved was too small to cover the budget deficit, which was estimated to amount to about ¥100,000,000 in all. Mr. Inouyé, in consultation with Premier Baron Reijirō Wakatsuki, decided to make good the deficient amount by issuing bonds, abandoning the Minsei-to's traditional no-loan policy. The Inukai Cabinet that succeeded the Wakatsuki Cabinet on December 16, 1931, decided to adopt the budget drafted by the preceding Cabinet, due to lack of time to formulate a

new one. However, the new Cabinet decided not to abolish the Overseas Ministry and other administrative organizations, which were decided on by the Wakatsuki Cabinet, but decided to carry out administrative readjustment. The sinking fund system was temporarily suspended and the deficient income was to be met by loans. The 1932-33 fiscal year's budget was as follows:

REVENUE	
Ordinary revenue	¥ 1,238,409,784
Extraordinary revenue:	158,685,750
Normal revenue	35,155,932
Loans	123,529,818
Total revenue	1,397,095,498

EXPENDITURE	
Ordinary expenditure	¥ 1,141,344,414
Extraordinary expenditure	255,751,084
Total	1,397,095,498

The itemized revenues for the same year were:

ORDINARY REVENUE

	1932-33 year	Compared with 1931-32 year		
	(In ¥ 1,000)			
Taxes:				
Income	135,408	de.	28,865	
Land	58,483	de.	6,307	
Business profit	30,585	de.	14,407	
Capital interest	15,064	de.	912	
Inheritance	29,852	in.	786	
Mining	4,586	de.	377	
Convertible note issue	10,625	in.	1,989	
Saké tax	175,473	de.	35,333	
Soft drinks	3,100	de.	681	
Sugar consumption	72,750	de.	3,876	
Textile consumption	29,519	de.	2,148	
Bourse	10,654	in.	2,171	
Customs	107,275	de.	4,773	
Tonnage	2,234	de.	220	
Total	685,616	de.	92,671	
Stamp revenue	64,436	de.	8,634	
Income from Government enterprises and property:				
Post, telegraph and telephone	226,073	de.	14,953	
Forestry	31,733	de.	11,357	
Profit of Monopoly Bureau	170,877	de.	27,371	
Others	13,130	de.	5,761	
Total	441,815	de.	59,442	
Miscellaneous income	30,440	in.	2,846	

	1932-33 year	Compared with 1931-32 year		
	(In ¥ 1,000)			
Transferred from special accounts of Deposits Bureau of Ministry of Finance	8,700	—		
Transferred from special accounts for educational improvement and agricultural village encouragement funds	7,401	de.	660	
Grand total	1,238,409	de.	158,560	

EXTRAORDINARY REVENUE

	1932-33 year	Compared with 1931-32 year		
	(In ¥ 1,000)			
Normal income	35,155	de.	35,149	
Loans	123,529	in.	101,530	
Total	158,585	in.	66,381	
Total of revenue	1,397,095	de.	92,179	

Expenditures for the same year according to Ministries were:

Ministries	EXPENDITURE		Total
	Ordinary	Extraordinary	
	(In ¥ 1,000)		
Civil List	4,500	—	4,500
Foreign	14,827	2,403	17,231
Home	45,855	51,742	97,598
Finance	289,083	14,472	303,556
War	160,734	22,926	183,661
Marine	140,714	70,985	211,700
Justice	31,114	411	31,526
Education	127,395	5,906	133,302
Agriculture and Forestry	27,770	21,882	49,652
Commerce and Industry	292,790	39,405	332,195
Overseas Affairs	2,189	20,214	22,353
Total	1,141,344	255,751	1,397,095

The issue of bonds for 1932-33 for different enterprises were:

NEW BOND ISSUES	
General Accounts	
(In ¥ 1,000)	
Telephone enterprise bonds	17,510
Telegraph enterprise bonds	925
Earthquake and fire readjustment bonds	7,670
Budgetary deficit bonds	96,494
Road building bonds	1,000
Total	123,529
Special Accounts	
(In ¥ 1,000)	
Railway bonds	49,000
Formosan enterprise bonds	3,000
Korean enterprise bonds	14,940
Kwantung enterprise bonds	600
Total	67,540
Grand total	191,070

Unprecedentedly Huge Budget for 1933-34 Fiscal Year

The Budget of 1933-34 The 1933-34 fiscal year's budget was an unprecedentedly large budget following the emergency situation created by the Manchurian incident and the great depression in the farming industry. Revenue and expenditure involved in the fiscal year's budget amounted to ¥2,239,320,000 each. Such a colossal budget has never before been recorded in the history of Japan. The Saito Cabinet was responsible for this budget and the financial retrenchment policy and no-loan policy of the Hamaguchi Cabinet were utterly frustrated. The

Inukai Cabinet was responsible for the 1932-33 fiscal year's budget totaling ¥1,497,000,000, which showed an increase of ¥84,000,000 over the Wakatsuki Cabinet's, and the Saito Cabinet was responsible for the 1932-33 emergency budget of ¥1,943,000,000, which was approved at the extraordinary session of the Diet in August, 1932, and which was introduced to afford relief to the farming industry and to finance the Expeditionary Force to Manchuria. The 1933-34 year budget surpassed the

preceding budget by ¥290,000,000. Expenditures on general accounts since the first year of Showa, 1926, have been ¥1,578,000,000 for 1926-1927; ¥1,765,000,000 for 1927-1928; ¥1,814,000,000 for 1928-1929; ¥1,736,000,000 for 1929-1930; ¥1,557,000,000 for 1930-1931; ¥1,476,000,000 for 1931-1932; ¥1,943,000,000 for 1932-1933; and ¥2,239,000,000 for 1933-1934.

The 1933-34 year's expenditure, classified according to Ministries, follows:

Ministries	1932-33		1933-34	
	Amount (In million yen)	Percentage	Amount (In million yen)	Percentage
Civil List	4	2%	4	2%
Foreign	25	1.3	26	1.1
Home	220	11.3	218	9.7
Finance	374	19.2	474	21.1
War	361	18.6	447	20.0
Marine	297	15.3	372	16.6
Justice	32	1.6	34	1.5
Education	196	10.1	151	6.7
Agriculture and Forestry	98	5.0	117	5.2
Commerce and Industry	11	.5	13	.6
Communications	345	17.7	349	15.6
Oversens	25	1.3	27	1.2
Total	1,943	100.0	2,230	100.0

The Budget Examined Several outstanding features can be pointed out in connection with the 1933-34 fiscal year's budget. It is the largest budget on record for Japan, besides being an unbalanced budget in which ordinary revenue does not meet ordinary expenditures. The entire amount of budget deficit is met by bond issues, not by taxes.

Military expenses are supreme in the budget. The budget is not based on any fundamental financial plan. An expansion of expenditure ought to be coincidental with an expansion in revenue, but this principle is entirely ignored in the budget. The comparison of ordinary revenue and expenditure since the first year of Showa follows:

Fiscal year	Ordinary revenue	Ordinary expenditure (In million yen)	Balance in favour of revenue	Percentage of expenditure against revenue
1926-27	1,452	1,083	369	74.6%
1927-28	1,485	1,172	313	78.9
1928-29	1,505	1,184	321	78.9
1929-30	1,481	1,213	268	81.9
1930-31	1,422	1,202	220	84.5
1931-32	1,315	1,112	203	84.6
1932-33	1,282	1,209	73	94.3
1933-34	1,286	1,357	69	105.4

(In favour of expenditure)

The excess of expenditure over revenue is unsound State finance. The budgetary deficit of ¥69,000,000 for the 1933-34 fiscal year is unprecedented in this country, and is due to a drop in tax revenue while expenditure has gained heavily. The Government estimated an increase of tax and other revenue of ¥6,300,000 for the 1933-34 fiscal year, but even with this increase there is still a deficiency, due to the heavy increase in expenditure. The tax revenue for 1933-34 is estimated at ¥690,000,000, which is 30 per cent.

of the total revenue. If the Manchurian incident expenses are included in the ordinary expenditure, that is, considering the incident as being of a semi-permanent nature, the deficit of the ordinary revenue will total ¥255,000,000. Thus the total deficit in both the ordinary and extraordinary revenue for the 1933-34 fiscal year is ¥896,000,000, all of which is to be met by bond issues. The 1933-34 tax revenue, as compared with the preceding year, is estimated as follows:

Taxes:	1933-34 fiscal year (In ¥ 1,000)	Compared with 1932-33 fiscal year
Income	691,815	de. 16,191
Land	58,255	in. 6,961
Business profit	36,124	in. 3,766
Capital interest	14,961	in. 95
Inheritance	26,017	de. 2,005
Mining	2,878	de. 875
Saké	150,459	in. 3,971
Sugar consumption	74,145	in. 2,193
Textile consumption	30,009	de. 334
Customs duty	113,448	de. 15,536
Total	691,815	de. 16,191
Stamp revenue	113,448	de. 15,536
Income from Government enterprises and property	457,530	in. 8,710
Obligatory contribution of Bank of Japan to the Government	27,348	in. 13,159
Transferred from special accounts and miscellaneous income	44,809	de. 14,816
Total of ordinary revenue	1,288,311	in. 6,335

The Budget Further Swollen The 1933-34 budget was further increased owing to two additional budgets, the second being exclusively for the relief of the Sanriku earthquake-stricken district. The amount of the budget is ¥2,309,414,000, and bond issues for both accounts, general and special, for the 1933-34 fiscal year, will total ¥1,026,626,000, creating an all-time record.

1933-34 BUDGET ON GENERAL ACCOUNTS

Revenue:	
Ordinary	¥ 1,291,106,000
Extraordinary	1,018,308,000
Total	2,309,414,000

The extraordinary revenue includes ¥55,920,000 of normal income; ¥919,084,000 of bonds; ¥30,000,000 of loans; and ¥13,304,000 of surplus funds.

Expenditure:	
Ordinary	¥ 1,364,976,000
Extraordinary	944,438,000
Total	2,309,414,000

1933-34 BOND ISSUES

New issues:	
General accounts	¥ 919,084,000
Special accounts	92,726,000
Total	1,011,810,000
"Delivery" bonds	14,815,000
Grand total	1,026,626,000

The leading items for which bonds

are to be issued for the fiscal year are :

ORDINARY ACCOUNTS

Telephone	¥ 13,280,000
Earthquake bonds readjustment	18,783,000
Road building	16,676,000
Telegraph enterprise	700,000
Budgetary deficit	660,650,000
Manchurian incident	186,312,000

SPECIAL ACCOUNTS

Korean enterprises	¥ 31,725,000
Manchurian incident (Korean Government-General)	1,274,000
Formosan enterprises	5,000,000
Manchurian incident (Kwantung Government)	3,226,000
Saghalien enterprises	3,500,000
Railway bonds	48,000,000

Fiscal years	Ordinary revenue (In million yen)	Ordinary expenditure	Public loan bonds	Percentage of public loan bonds against ordinary revenue
1926-27	1,452	1,081	34	2.3 %
1927-28	1,484	1,171	61	4.1
1928-29	1,505	1,184	157	10.4
1929-30	1,481	1,312	99	6.0
1930-31	1,422	1,202	38	2.6
1931-32	1,315	1,111	120	9.1
1932-33	1,212	1,208	616	49.0
1933-34	1,288	1,397	896	69.5

Outstanding funded debts at the end of 1933-34 fiscal year, that is, March 31, 1934, are roughly estimated to total ¥10,000,000,000, on which the Government has to pay interest of more than ¥500,000,000. Furthermore, the bond issue for the 1934-35 fiscal year for farm relief, the Manchurian incident and armament replenishment purposes is estimated at about ¥1,000,000,000. Mr. Korékiyo Takahashi, Minister of Fi-

“Delivery” bonds, which are generally issued in connection with special purposes, such as loss indemnification for banks or companies by the Government subject to approval of the Diet, retirement allowances for Government officials, etc., are excluded from this figure. If these bonds are added, the total bond issue will reach about ¥1,200,000,000. The percentage of income from bonds against ordinary revenue is 70 per cent. and that against the total revenue 40 per cent.

Unbalanced Finance The unbalanced State finance since the first year of Showa, 1926, follows :

nance of the Saito Cabinet, expected an increase of revenue following the inflation policy, but high prices will in the long run increase expenditure, thereby offsetting the increase of revenue.

Payment to Foreign Countries The estimated Government payment to foreign countries for the 1932-33 fiscal year, as compared with the actual payment for the preceding fiscal year, follows :

	Estimated payment to foreign countries for 1932-33 (In million yen)	Actual payment to foreign countries for 1931-32	Increase for 1932-33
Interest paid to foreign countries for Government debts	118	75	43
Redemption of foreign loans	62	10	52
Total	181	85	96
Ordinary payment by various Ministries to foreign countries	55	52	3
Payment for materials for operation by the Government	33	24	8
Total	88	77	11
Grand total	269	162	107

Expenses of National Defence One of the noteworthy points in connection with the 1933-34 fiscal year's budget is that the expenses for national defence constitute the largest portion. The War and Navy Ministries' combined expenditure for new enterprises amounts to ¥410,000,000, being 55 per cent. of the total expenditure as follows :

ESTIMATES FOR NEW ENTERPRISES

Ministries	(In ¥1,000)	(In percentage)
War	265,765	35.6
Marine	146,429	19.6
Finance	139,646	18.7
Agriculture and Forestry	35,777	4.8
Commerce and Industry	4,071	0.6
Home	120,977	16.2
Foreign	9,455	1.2
Justice	1,040	0.1
Education	6,248	0.7
Communications	7,820	1.0
Overseas	7,776	1.0
Total	744,657	100.0

Reduction of Salaries One of the most far-reaching actions in Showa financial history has been the reduction of salary of Government officials, carried out by the Hama-

guchi Cabinet on June 1, 1930. The matter was first proposed in October, 1929, but was forced to be laid aside. The highest rate of cut was 10 per cent. and the lowest 2 per cent. Those drawing a monthly salary of less than ¥100 were not included in the salary reduction. A great opposition was raised by the railwaymen of the Ministry of Railways. A general strike threatened, the situation was tided over as the result of a compromise between representatives of the railwaymen and the Ministry authorities. Judges and procurators of the Tokyo District Court and Tokyo Local Court were the second to start opposition to the salary cut measure and this movement spread to those of judicial officials of higher Courts. They claimed that the measure, sponsored by administrative authorities, had no right to affect the status of judicial authorities. The judges were excluded from the reduction, but the procurators had to abide by the decision.

Revenue and Expenditures, 1868 to 1932

	General accounts		Special accounts		Tax Revenue
	Revenue	Expenditures	Revenue	Expenditures	
	(In ¥1,000)				
1st period	33,089	30,505	—	—	3,157
6th period	85,507	62,679	—	—	65,015
1877	52,338	48,428	—	—	47,923
1882	73,508	73,481	—	—	67,739
1887	88,161	79,453	—	—	66,255
1890	106,469	82,125	53,404	25,621	69,251
1895	118,433	85,317	160,925	106,216	70,848
1900	295,855	292,750	120,461	151,038	133,926
1905	535,256	420,741	246,981	192,188	251,275
1910	672,874	569,154	1,167,642	968,752	317,286
1915	708,616	583,270	899,612	657,156	312,745
1920	2,000,632	1,359,978	3,043,119	2,265,333	696,257
1925	2,071,372	1,524,989	3,236,475	2,663,719	894,809
1926	2,056,361	1,578,826	3,047,904	2,451,295	886,999
1927	2,062,755	1,765,723	3,447,735	2,812,532	898,673
1928	2,005,691	1,814,855	3,541,024	2,844,398	915,910
1929	1,773,567	1,773,567	3,854,573	3,401,090	909,406
1930	1,596,972	1,557,046	3,549,582	3,052,108	893,505
1931	1,531,082	1,496,875	3,311,298	2,882,053	835,041
1932	1,208,652	1,943,812	4,133,353	3,747,920	708,006

STATE REVENUE

(In yen)

Sources of revenue	1921-22	1926-27	1930-31	1931-32 (Budget)	1932-33 (Budget)
ORDINARY :					
Taxes :	785,551,739	886,929,191	835,041,051	778,287,335	708,006,874
Land tax	74,130,516	68,728,175	68,035,367	64,739,106	58,482,530
Income tax	200,938,503	209,577,913	200,616,410	163,773,507	131,142,921
Business tax	68,453,901	62,146,344	56,772	—	—
Business profit tax	—	7,439	54,286,406	44,992,834	32,357,953
Capital interest tax	—	12,279,429	15,651,646	15,976,493	14,866,282
Inheritance tax	9,311,577	18,409,682	32,904,624	29,066,775	28,022,355
Travelling tax	9,608,579	1,360,057	—	—	—
Mining tax	6,465,347	5,243,902	4,907,553	4,962,998	3,753,114
Tax on issue of bank notes	208,897	3,285,929	7,439,873	8,636,585	14,189,150
Tax on saké	176,085,191	216,583,406	218,854,670	210,807,211	176,488,430
Tax on soy	6,397,892	1,039,696	—	—	—
Soft drink tax	—	2,954,808	3,639,910	3,781,540	3,279,382
Sugar consumption tax	54,966,322	82,439,852	77,889,447	76,627,082	71,952,603
Textile consumption tax	61,736,905	35,925,961	33,884,188	31,667,252	30,433,493
Kerosene oil consumption tax	822,547	—	—	—	—
Tax on bourses	14,406,969	14,857,378	9,123,622	8,482,745	11,793,250
Customs duties	100,941,336	150,612,398	105,379,643	112,268,656	128,984,023
Tonnage dues	1,041,834	1,538,272	2,280,912	2,454,552	2,261,298
Other taxes	334,714	15	—	—	—
Stamp receipts	86,327,954	82,327,944	69,704,464	73,070,482	66,022,196
Receipts from Government undertakings and properties :					
Postal, telegraph and telephone services	333,784,233	451,414,256	487,860,048	501,117,452	448,820,052
Forests	155,089,513	223,172,356	229,263,789	240,887,800	231,088,145
Profits on monopolies	36,144,720	38,470,326	38,810,223	43,090,841	31,504,427
Other receipts from Government undertakings and properties	124,289,687	167,403,283	198,339,282	198,248,814	173,848,574
Transferred from Special Accounts for Deposits	18,260,313	22,368,190	21,446,753	18,889,997	13,378,906
Transferred from Special Accounts for Deposits Bureau, Ministry of Finance	42,891,219	—	—	—	—
Transferred from Special Accounts of Funds for educational improvement and agrarian development	—	3,300,000	6,000,000	8,700,000	8,700,000
Other miscellaneous receipts	—	7,718,620	7,095,797	8,061,248	7,967,771
Total	34,957,358	22,106,381	16,358,187	27,733,526	42,458,460
EXTRAORDINARY :	1,283,812,503	1,452,409,833	1,422,059,549	1,396,970,044	1,281,975,353
Proceeds of sale of State property	7,539,404	4,497,865	4,400,640	3,818,323	3,959,042
Miscellaneous receipts	45,062,822	2,384,163	17,229,505	25,290,395	11,781,984
Local payment toward expenses incurred by the State for the benefit of certain prefectures	9,312,956	1,910,107	2,696,149	4,435,493	6,485,749
Local contributions to expenses incurred by the State for the benefit of certain prefectures	6,559,300	10,108,167	4,619,110	12,796,208	11,781,984
Funds belonging to Special Accounts transferred	7,813,819	2,707,047	14,235,796	7,246,373	7,351,293
Receipts from the issue of public loans	53,032,733	34,033,478	38,000,329	29,579,161	610,160,421
Payment from the insurance companies	—	1,280,461	3,390,317	3,556,488	3,556,488

PUBLIC FINANCE

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Sources of revenue	1921-22	1926-27	1930-31	1931-32 (Budget)	1932-33 (Budget)
War profits tax	5,086,575	20,949	215	—	—
Transfer of the surplus of the preceding year	640,674,067	546,380,723	90,127,696	—	—
Receipts under the Export Credits Guarantee System	—	—	14,912	646,000	643,000
Other miscellaneous receipts	6,817,008	232,218	107,946	12,515,219	221,098
Total	781,896,683	603,951,523	174,912,618	99,883,659	661,836,934
Total revenue	2,065,711,186	2,056,261,361	1,596,972,168	1,496,853,703	1,943,812,237

STATE EXPENDITURE

(In yen)

Branches of expenditure	1921-22	1926-27	1930-31	1931-32 (Budget)	1932-33 (Budget)
ORDINARY :					
Imperial Household	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Foreign Affairs :	16,597,237	15,558,081	16,152,205	15,175,565	15,048,684
Department proper	4,585,263	3,532,047	3,230,623	3,091,700	3,227,313
Embassies, Legations and Consulates abroad	10,776,440	11,607,793	12,552,758	11,709,139	11,402,010
Other expenses	1,235,534	418,241	368,818	384,726	419,361
Home Affairs :	41,846,350	44,916,934	45,718,707	45,330,088	47,199,069
Department proper	1,015,375	801,104	793,009	730,315	642,415
Prefectures (Do, Fu and Ken)	14,909,230	11,854,710	11,548,550	10,906,899	10,027,549
Other expenses	25,921,745	32,261,120	33,377,147	33,692,974	36,529,105
Finance :	195,047,481	286,155,026	313,913,022	311,251,489	337,635,860
Department proper	1,163,170	820,566	911,667	944,967	902,000
Interest on deposits and charges for its payment	42,891,219	—	—	—	—
Cabinet and Privy Council	1,061,632	981,843	1,025,200	1,049,361	997,466
House of Peers and House of Representatives	3,067,532	3,429,973	4,015,284	3,457,100	3,758,372
Court of Administrative Litigation and Board of Audit	590,774	557,758	582,410	575,995	541,481
Customs houses	3,816,312	4,303,076	4,362,604	4,200,780	4,177,374
Expenses for collection of inland tax	17,100,625	20,085,470	18,145,401	16,336,049	14,920,990
Transferred to National Debt	—	—	—	—	—
Depreciation Funds	112,027,287	233,218,820	272,517,093	259,432,220	259,890,364
Other expenses	13,328,930	22,757,520	12,353,360	25,225,017	52,448,116
Army :	169,070,843	167,560,772	174,546,262	172,275,490	166,316,119
Department proper	777,342	759,436	690,335	682,725	616,871
Expenses for military affairs	163,910,046	166,186,986	173,034,526	170,763,481	164,993,586
Other expenses	4,383,455	614,350	821,350	829,284	795,662
Marine :	140,718,784	127,428,403	146,887,938	141,209,983	140,766,615
Department proper	521,001	567,753	557,285	543,911	485,575
Expenses for naval affairs	140,149,089	126,552,816	145,620,175	139,954,499	139,742,800
Other expenses	48,694	307,834	710,478	711,573	538,240
Justice :	28,056,230	31,460,934	33,848,715	32,270,058	31,490,422
Department proper	321,797	304,664	350,891	465,786	421,764
Judicial Courts	15,213,188	16,925,704	19,246,651	15,741,701	17,826,389
Prisons	12,590,947	14,177,496	14,202,235	13,002,318	13,117,898
Other expenses	120,298	52,070	48,936	60,553	124,764
Education :	33,662,602	113,570,356	131,207,607	131,310,249	128,007,955
Department proper	1,841,980	3,441,026	3,116,096	2,714,124	2,631,482
Educational institutions and libraries	17,220,088	29,267,962	31,297,188	31,734,376	29,477,273
Other expenses	14,600,534	80,861,368	96,794,323	96,861,749	95,899,200
Agriculture and Commerce : *	19,615,376	24,660,945	31,777,449	29,266,598	28,076,150

* Agriculture and Forestry since 1925.

Branches of expenditure	1921-22	1926-27	1930-31	1931-32 (Budget)	1932-33 (Budget)
Department proper	1,780,954	1,189,615	1,413,822	1,422,801	1,332,429
Forestry expenses	12,690,606	10,341,031	24,822,431	22,153,658	20,042,451
Other expenses	5,184,786	4,120,699	5,541,195	5,600,139	6,701,270
Commerce and Industry :		3,195,934	5,002,153	4,912,666	4,551,741
Department proper	—	1,134,385	1,489,093	1,437,749	1,372,291
Inspection Office	—	1,308,278	1,874,234	1,267,148	1,178,597
Patent Bureau and Mining	—	753,271	2,188,825	2,207,769	2,030,853
Communications :	102,634,9599	262,785,440	296,218,812	293,880,731	302,880,549
Department proper	1,281,237	1,187,433	1,566,810	1,456,491	1,420,026
Communications expenses	116,134,770	127,312,594	143,868,457	141,925,761	138,138,322
Pensions and annuities	73,225,528	131,767,646	149,116,202	148,813,986	161,612,212
Other expenses	1,993,424	2,487,767	1,667,341	1,693,493	1,700,989
Overseas Affairs : *	—	—	2,879,811	2,407,252	2,149,377
Department proper	—	—	796,872	796,433	727,867
Other expenses	—	—	1,582,938	1,610,769	1,421,510
Total	841,740,861	1,081,993,470	1,202,162,685	1,183,799,169	1,208,632,541
EXTRAORDINARY :					
Foreign Affairs	0,136,368	3,704,422	3,317,370	2,482,857	10,783,119
Home Affairs	80,076,256	161,646,962	99,369,495	96,282,563	173,355,416
Finance	32,120,749	52,002,258	21,564,107	15,431,087	36,881,144
Army	77,907,822	29,880,443	26,278,021	22,911,208	195,317,209
Marine	342,870,929	109,879,266	95,147,008	70,677,113	166,827,875
Justice	2,556,835	3,091,630	902,824	504,824	1,202,724
Education	17,532,725	18,194,371	12,112,394	6,981,459	18,516,255
Agriculture and Commerce	34,007,030	{ 19,724,625 9,259,905	{ 27,077,934 5,921,673	{ 27,660,339 6,008,246	{ 70,036,508 6,603,268
Communications	51,897,039	89,919,078	39,277,095	40,787,892	42,350,612
Overseas Affairs	—	—	24,743,120	24,428,848	23,155,526
Total	648,105,752	496,832,955	355,711,046	314,105,570	735,159,746
Total expenditure	1,489,855,613	1,578,826,425	1,557,863,732	1,497,954,739	1,943,812,287

* Established in 1925

Decline in Military Expenses One of the most striking features of the Government budgets was the remarkable increase of military expenses until 1922, but since then

there has been a substantial decline until the radical change brought about by the outbreak of the Manchurian affair. Details follow :

Year ending March 31	Administrative expenses ¥	Percentage of total %	Military expenses ¥	Percentage of total %
1897	83,631,591	37	110,542,522	50
1902	160,672,262	55	85,768,247	30
1907	229,694,455	38	198,316,047	33
1912	252,333,154	42	199,610,527	34
1917	313,139,508	42	285,871,660	39
1922	709,714,705	50	604,801,186	42
1927	991,949,604	56	491,639,932	28
1928	1,011,916,798	55	517,237,674	29
1929	961,054,193	55	494,920,074	29
1930	842,487,408	54	442,859,231	28
1931	831,398,725	56	407,073,794	27
1932	1,024,694,015	53	659,227,908	34

Year ending March 31	National Debt services ¥	Percentage of total %	Total ¥	Percentage of total %
1897	29,504,731	13	223,678,844	100
1902	42,786,222	15	289,226,731	100
1907	174,390,457	29	602,400,959	100

Year ending March 31	National Debt services ¥	Percentage of total %	Total ¥	Percentage of total %
1912	141,652,763	24	593,506,444	100
1917	136,013,084	19	735,024,253	100
1922	115,173,731	8	1,429,689,622	100
1927	282,133,544	16	1,765,723,080	100
1928	285,700,540	16	1,814,855,012	100
1929	280,342,788	16	1,786,317,055	100
1930	272,517,093	18	1,557,863,732	100
1931	250,432,220	17	1,497,904,739	100
1932	259,890,364	13	1,943,812,287	100

The System of Public Finance

Under the Tokugawa régime, the public revenue, which was typically inadequate and unstable in amount, was derived almost entirely from a tax on land, payable in rice or money. There existed no government budget or system of financial accounting and control. In the early days of the Meiji Era, the condition of public finance continued to be unsatisfactory, and it was not until after the adoption of the Imperial Constitution in 1889 that a system of sane financial administration was established. A sinking fund for the public debt was established in 1906. According to present regulations, a sum not less than 1.16 per cent. of the amount of the total debt (minimum amount in any case ¥30,000,000) outstanding at the beginning of the preceding fiscal year must be appropriated to the sinking fund of both general and special accounts. Moreover, since 1927, not less than one-quarter of the treasury surplus of the last but one financial year shall be used for debt refunding.

Government Enterprises Besides the general accounts there are more than 30 special accounts. The special accounts are of several types: (1) those pertaining to the finances of the colonies; (2) those pertaining to certain government enterprises; and (3) certain miscellaneous accounts.

Among the enterprises conducted by the government, we find that several different methods of accounting are employed.

First, there are a number of enterprises, the accounts of which are entirely independent of the general account (or budget) of the government. In the case of the government railways, any net profits earned may be used for extension and improvements, and, in case of a deficiency of revenue, loans are floated by the Government and charged against the railway account rather than against the general account. Since 1928 the accounts of the government iron works have been treated like those of the government railways, but prior to that time the profits, or deficits as the case might be, were transferred to the general account.

Second, receipts and disbursement of the postal, telegraph, and telephone services are handled as an integral part of the general accounts. The revenues are recorded separately as gross figures, while operating expenditure is included in the general outlay of the Department of Communications.

Third, there are certain government enterprises, the accounts of which are handled separately, but the net revenues or deficits from which are eventually transferred to the general account. The most important of these are the tobacco, salt, and camphor monopolies, which

were established shortly after the war with Russia for the purpose of increasing government revenue. The salt monopoly, however, has since been administered rather with a view to providing this necessity at low and stable prices. The camphor monopoly handles the purchase and sale of camphor and camphor oil, and supplied the bulk of the world demand. The revenues from these monopolies as a whole have shown a steady and substantial growth and now constitute a very important source of government revenue.

Fourth, there are a number of other government enterprises giving rise to special accounts which involve a twofold relationship to the general account. The special accounts for the military and naval arsenals, naval powder works, naval fuel plants, and army woollen mills receive appropriations for fixed capital requirements from the general accounts; and any net profits derived are transferred to the general account. The accounts of the Government Printing Office are handled in the same manner. The special account for the Mint receives appropriations from the general account for fixed capital, the net profits of which are retained and set aside as a reserve fund; though if any fixed capital is subsequently liquidated the proceeds are transferred to the general account. The accounts for the Post-Office Life Insurance and Annuity System and for Health Insurance receive appropriations, if necessary, from the general account; but any net profit earned are entered in a reserve fund. Mention should also be made of the special account resulting from "rice control". This account is theoretically independent of the general account, but if losses are incurred they will, in practice, become a

charge against the general account.

War-time financing has also typically been handled in special or extraordinary accounts. Thus neither the loans raised nor the expenditures made appear in the ordinary fiscal operations. The only exception is found in connection with the outlay incident to the Boxer War of 1900.

Debt Consolidation The National Debt Consolidation Fund takes charge of the financial administration of the government debt, receiving annually from the general account a fixed sum with which to meet sinking fund and interest obligations. The State Property Fund handles disbursements and receipts incident to State property. The Treasury Deposits Bureau manages the receipts derived from the deposits of postal savings and other savings institutions, banks, etc., and it also handles the funds of most of the special accounts. The Government Loan Fund receives and temporarily deposits proceeds of government loans, transferring them to the general account or to the proper special accounts as they are required. The Education Fund consists of a portion of the indemnities received from China after the China-Japanese War. Other special accounts include those for universities, colleges, schools, and libraries, each of which receives an annual appropriation from the general account.

Loan Flotations The most important loan flotations outside the general accounts are those of the railways and iron foundries, of the colonial governments, and of the special war accounts. Since the railway and the iron foundry loans are directly productive in character, they do not impose a fiscal burden. The loans of the colonial governments are obligations of Japan proper.

The practice of carrying the ex-

traordinary loan revenues and expenditures of wars in special accounts naturally renders the figures of the general account quite misleading as to general trends. Such loans floated for the conduct of the Sino-Japanese War amounted to ¥116,804,926; for the Russo-Japanese War to ¥1,418,731,228; and for the World War to ¥555,798,705.

The delivery of bonds in lieu of cash derived from the sale of bonds is a device which has been employed for such purposes as the following: Abolition of the feudal system; grants for services rendered; purchase of railways; retirement allowances; general relief work; earthquake reconstruction and financial losses; the liquidation of the "Nishihara loans"; compensation to shipyards in connection with limitation of naval armaments; compensation to the Bank of Japan for losses resulting from advances for Taiwan Bank relief following the panic of 1927; etc.

The Japanese government derives its non-borrowed revenues from three principal sources—direct taxes, indirect taxes, and government enterprises and properties. The largest source of income at the present time is from the indirect levies. A striking feature of the Japanese revenue system is the exceptionally large return yielded by government enterprises and properties.

Taxes and Duties

The land tax constituted the principal and largest tax of all during the feudal days of the Tokugawa Shogunate. The revenue then came direct from the tax on the territory under direct control of the Shogun, and that of provincial feudal clans was made independent of the Central Government. Centralization of the country's financial system was the chief aim of the Meiji govern-

ments, and taxes were imposed by the Central Government to cover the whole country. The total tax revenue of the first year of Meiji was ¥3,600,000, of which the land tax brought in ¥2,000,000, customs duty ¥720,000, open port duties ¥100,000, traffic tax and others ¥320,000. Expenditure for the first year of Meiji was ¥30,000,000. In order to meet any deficiency in income the Government issued bonds or raised loans. The land tax was divided into two kinds, that is, payments in cash, and payments in produce such as rice and beans. Land certificates were issued by the Meiji Government in 1872 and in the following year the land tax act was revised and enforced. This brought about a very important and radical change in the payment of the land tax, for it was decreed that tax must be paid in money, payments in kind were abolished. The tax was fixed at 3/1,000 of the legal land value, or the value mentioned in land certificates. In 1875 the urban land tax was fixed at 3/100 of the legal land value. By a tax revision conducted in the same year nine kinds of taxes such as those on saké, soy, ships, cattle trading, silk, hunting, mining, oil pressing and ship anchoring were included in the national taxes and at the same time new taxes on patents, servant employment, carriages, rickshas, palanquins, horse riding, boat excursions, certificate stamps, business corporations, tobacco, weights and measurements and others were introduced. Miscellaneous taxes of the Tokugawa Shogunate numbering 1,553 were abolished. Estimates of tax revenue were formulated for the first time in 1875 and the amount for the year totalled ¥59,000,000, as follows:

	TAX REVENUE	
Land tax		¥50,345,327
Customs tax		1,718,732
Mine-lot tax		7,430

Tax Revenue	
Government salary tax	¥ 92,625
Hokkaido marine products tax	342,526
Saké tax	2,555,594
Tobacco	206,748
Certificate stamp tax	408,228
Legal suit tax	63,714
Ship tax	128,514
Cart tax	213,192
Hunting tax	46,920
Cattle trading tax	90,833
Weights and measurements tax	2,019
Copyright tax	5,198
Open-port tax	2,774
Loochoo Clan's contribution	48,189
Capitalized pension and honours tax	2,075,118
Raw silk, stamp and other taxes	28,913
Ship anchorage tax	28,020
Total	59,194,031

Revision of Tax System The revision of the tax system of the Central Government was followed by a revision of that of the tax system of

	Land tax	Customs revenue (In ¥1,000)
1st period	2,009,013	72,866
2nd "	3,355,965	502,897
3rd "	4,215,969	648,453
4th "	11,340,983	1,071,650
5th "	20,051,917	1,331,500
6th "	60,604,242	1,685,974
7th "	59,412,428	1,498,257
8th " (Jan., 1876-June, 1876)	67,717,946	1,038,103
1876 (July, 1876-June, 1876)	50,345,327	1,718,732
1877 (July, 1877-June, 1878)	43,023,425	1,988,667
1878 (July, 1878-June, 1879)	39,450,551	2,358,653

The estimated receipts from taxes during the 1932-33 fiscal year were as follows:

Items	Receipts ¥131,142,921
Income tax	58,482,530
Land tax	32,357,953
Business profits tax	14,866,282
Capital interest tax	28,022,355
Succession tax	3,753,114
Mining tax	14,129,150
Tax on the issue of bank notes	176,488,430
Tax on liquors	3,279,382
Table water tax	71,952,603
Sugar excise	30,433,493
Textiles consumption tax	11,733,250
Tax on bourses	128,984,023
Customs duties	2,261,208
Tonnage dues	66,022,196
Stamp duties	56,772
Others	708,006,847
Total	

provincial governments, thereby drawing a clear line of distinction between the two kinds of taxes. It was announced that the provincial governments might levy a land tax, but this must not exceed 20 per cent. of the land tax of the Central Government. The customs duty of Japan originated in commercial treaties concluded by the Tokugawa Shogunate with Foreign Powers several years previous to the Meiji Restoration. Until 1898, the 30th year of Meiji, when the customs tariff was consolidated the regulations regarding customs duties were incomplete though they provided the second largest amount of income. Revenue from the land tax and customs duty for the first 10 years of Meiji was:

A part of the surplus revenue realized by the conclusion of the London Naval Treaty in 1930 was applied to the reduction of the land tax, the business profits tax, the sugar excise and the textiles consumption tax. A detailed explanation of the chief taxes is given below.

1 Income Tax

The Income Tax Law, first instituted in 1887 under Imperial ordinance, imposed a tax of from 1 to 3 per cent. on persons whose income from either property or business was ¥300 or more per annum. This law was subjected to a thorough revision

in 1899 and was partially altered in 1901, 1905, 1913, and 1918. In 1920 it was subjected to a general revision, and was again revised thoroughly in 1926. The fundamental points are given in the following paragraphs:

Payers of the Tax Those coming under the following clauses are under obligation to pay the tax:—

(1) Those who have a domicile or have a temporary residence for one year or over within the territory where the Income Tax Law is in force.

(2) Those who, though not having a domicile or a temporary residence for one year or over within the territory where the Income Tax Law is in force, derive income coming under any of the following items:

a When having assets or doing business within the territory where the Law is in force;

b When interest on public bonds, debentures, or fixed deposits in banks or deposits of a corresponding nature is received in payment within the territory where the Law is in force;

c When receiving from a corporation having a head office or a principal office within the territory where the Law is in force profit, dividend, a share of "excess or surplus income," or bonus incidental to the disposition of the profit or the "excess or surplus income," or gratuitous payment corresponding to such bonus.

The Law is applicable only to Japan proper and is not in force in Chosen, Taiwan and Karafuto. Even in Japan proper, the Ogasawara Islands and the seven islands of Izu are exempted for the present from the operation of this Law.

Classification of Incomes The Income Tax is assessed on the following classes of incomes:

Class I

A Ordinary income of a Corporation. The balance remaining in each accounting period after deducting the gross losses from the gross profits for the said period.

B Excess profits of a Corporation. When the ordinary income of a corporation for any accounting period exceeds 10% of the average net assets at the end of each month in the said period, that is to say, the average amount of paid-up capital and reserves, any excess over 10% is taxed.

C Net assets of Corporations at liquidation or amalgamation. In the case of dissolution of a corporation, an excess of the value of remaining assets over the paid-up capital or the invested fund at the time of dissolution; in the case of amalgamation of corporations, an excess of the sum of the paid-up amount for shares and the amount of money, acquired by the shareholders or partners of the amalgamated corporations from the amalgamating corporations or a corporation created as the result of the amalgamation, over the paid-up capital or the invested fund of the amalgamated corporations at the time of amalgamation.

D Undivided profits of a Family Corporation. Undivided profits in each accounting period of a family corporation, i. e., a corporation with half or more of its capital or invested fund consisting of shares owned by a shareholder or a partner and those who have special relations with the said shareholder or partner such as his relatives or his employees, provided that such undivided amount comes under either of the following clauses (when there is a conflict between them the one that concerns the greater amount is applied); and the Government decides all questions relating to the scope of

the application of these provisions.

(1) Amount retained out of the ordinary income of each accounting period in excess of 3/10 of the ordinary income of the said period.

(2) The sum total of the reserves at the end of each accounting period and the amount retained out of the ordinary income of the said period, exceeding one-half of the amount of the paid-up shares of capital or the invested fund; but that part of the reserves at the end of such accounting period which exceeds one-half of the paid-up shares of capital or the invested fund is deducted from the said total.

E Income of a Corporation without head office or principal business office in the territory where the Income Tax Law is in force. Income derived from assets owned or business done within the territory where this law is operative by a corporation whose head office or principal business office is not situated within such territory.

Class II

A Interest on public bonds, debentures, fixed bank deposits, or bank deposits of similar nature receivable in places where the Law is in force. This applies also to profit on trust funds employed in loans by a trust company.

B Distribution of profit or dividends, distribution of surplus money, or bonuses given by way of distributing profits or surplus money or allowances similar in nature to bonuses, as received by those who have neither domicile nor residence for one year or more in places where the Law is operative from corporations maintaining head or principal business offices in places where the Law is operative.

In the foregoing two cases, the amount received shall constitute the assessable income.

Class III

Incomes of individuals not coming under Class II are calculated as follows:

(1) Interest on loans made on a non-business basis and interest on public bonds, debentures and deposits that do not come under Class II—calculated on receipts during the preceding year;

(2) Income from forests—on gross receipts during the preceding year less the necessary disbursements made;

(3) Bonuses or allowances similar in nature to bonuses—receipts during the period between March 1 of the preceding year and the last day of February of that year;

(4) The distribution of interest or profit, or allotments of surplus received from a corporation—receipts during the period between March 1 of the preceding year and the last day of February of that year (in the case of dividends on unregistered shares the actual amount received) less 4/10;

(5) Salaries, allowances, annuities, pensions, retiring pensions and other allowances of a similar nature—actual receipts during the preceding year when such incomes have been received continuously from January 1 of the year, or estimated annual receipts when such incomes have not been received continuously from January 1 of the preceding year;

(6) Incomes other than those enumerated above—gross receipts of the preceding year less the necessary disbursements made when such incomes have been received from January 1 of the year, or estimated annual receipts when such incomes have been derived from properties, business or professions that have not been practised continuously from January 1 of the preceding year.

When the sum received as repayment from a corporation in con-

sequence of the redemption of shares or in the case of one's retirement from a partnership exceeds the sum actually paid for the said shares or the contribution actually made by the retiring partner, such excess shall be regarded as a dividend of profits from the said corporation.

The following may be deducted as necessary expenses in calculating the assessable incomes of Class III:

Prices paid or expenses incurred in purchasing seeds, silk-worm eggs, manure, feeds for cattle or others, merchandise laid in as stock, raw materials, repair of ground or things, rent, public levy on ground and things or as paid incidental to conducting business, salaries and allowances to employees, and all other necessary disbursements incurred for procuring the incomes. Household and incidental expenses are not to be deducted.

(7) The following revision has been made in this tax:

(a) As regards incomes accruing from trust property, the tax is levied upon the beneficiary considering him as an owner of the trust property.

(b) In case the beneficiary is not specified or not yet in being, the trustee shall be deemed to be the beneficiary and taxed accordingly.

Non-taxable or Free Incomes are non-taxable or free according to the provisions of the Income Tax Law or to provisions of other laws.

Those exempted from taxation by the Income Tax Law are as follow:

Hokkaido, fu and ken (Prefectures), cities, towns, villages, other public corporations specified by an Order, Shinto and Buddhist temples, and associations incorporated in accordance with Article 34¹ of the Civil Code are exempted from Income Tax.

¹ Judicial persons regarding Shinto religion, other religious sects, charity, science, art and others for public good, organized under sanction of the Minister concerned.

The public corporations specified by the Order as mentioned above are as follows:

Unions of fu and ken (Prefectures); unions of cities, towns and villages; unions of towns and villages; wards or property-owning sections of cities, towns or villages; Hokkaido Local Expenditure; school unions of cities, towns and villages; school districts of cities, towns or villages; irrigation associations; federations of irrigation associations; farms readjustment associations; federations of farms readjustment associations; Hokkaido public works associations; staple commodities producers' associations; federations of staple commodities producers' associations; forestry associations; saké brewers' associations; federations of saké brewers' associations; marine products associations; federations of marine products associations; foreign waters marine products associations; federations of foreign waters marine products associations; stock-breeders' associations; federations of stock-breeders' associations; agricultural associations; chambers of commerce and other public corporations of a corresponding nature. Also, those public corporations in Chosen, Taiwan, Kwanto-shu (Kwantung Province) and Karafuto, which are exempted from income tax by laws or orders of the respective regions.

Class III incomes coming under any of the following items are exempted from taxation:

(1) Salaries and allowances of officers and privates of the Army and Navy while engaged in war;

(2) Allowances to widows and orphans and pensions to the sick and wounded;

(3) Money received for traveling or school expenses and legal allowances received for support;

(4) Interest on deposits in the postal savings bank, industrial associations and savings banks;

(5) Occasional incomes derived from undertakings not conducted for profit;

(6) Incomes of aliens as derived from trade, business or profession in places where the Income Tax Law is not in force.

Those who manufacture certain staple commodities that are specified by Imperial Orders are exempted, in accordance with provisions of an Order, from the income tax on the income derived from such manufacturing for the first four years of operation of a factory.

Those exempted from taxation by laws or regulations other than the Income Tax Law:

Persons or corporations exempted from the Tax are:

(1) Industrial associations, federations of industrial associations, the Central League of Industrial Associations, and their federations (Art. 6, Industrial Association Law).

(2) Fishers' associations; federations of fishers' associations (Art. 45, Fishery Law).

(3) Persons engaged in the agricultural warehousing business (Art. 14, Agricultural Warehousing Law).

(4) A corporation with head office or principal business office in Chosen (Korea), Taiwan (Formosa) or Kwanto-shū (Kwantung Province) (Art. 12, Law No. XII, 1920).

(5) Central Chest for Industrial Associations in Japan (Art. 8, Central Chest for Industrial Associations Law).

(6) Housing associations (Art. 16, Housing Associations Law).

(7) Exporters' associations (Art. 33, Exporters' Associations Law).

(8) Associations of producers of staple articles of export and federations of associations of producers of staple articles of export (Art.

38, Associations of Producers of Staple Articles of Export Law).

Things exempted from the Tax are:

(1) Interest on National Bonds (Law No. VII, 1909).

(2) Interest on Savings Bonds (Law No. XIX, 1905).

(3) Money or gifts in kind received in accordance with the Military Relief Law (Art. 17, Military Relief Law).

(4) Income derived from the iron foundry business as specified in the Iron Foundry Encouragement Law (details mentioned in the said Law and the rules pertaining to it).

(5) Incomes derived from industries producing certain important goods specified in the Imperial Ordinance; but such exemption is allowed for the first four years only of operation of a factory (Art. 19, Income Tax Law).

(6) Incomes derived from certain industries in colonies where such industries are exempted from the imposition of the income tax (Art. 7, Law No. XII, 1920).

(7) Interest on Reconstruction Savings Certificates (Art. 6, Reconstruction Savings Certificates Law).

Abatement from Incomes

A Abatement from incomes from service.

Assessable incomes as under Class III are determined after making abatement at the under-mentioned rates from the earned incomes, i. e., salaries, wages, allowances, annuities, pensions, retirement allowances, bonuses and allowances of similar nature to a bonus:

(1) When the total income under Class III is less than ¥6,000—2/10 of the income earned by personal service.

(2) When the total income under Class III is less than ¥12,000 provided that the unearned portion exceeds

¥6,000—1/10 of the earned income.

(3) When the total income under Class III is less than ¥12,000 provided that the unearned portion is under ¥6,000—2/10 of that part of the earned income which, if added to the unearned income, amounts to ¥6,000; and 1/10 of the other part of the earned income.

B Special abatement for aged or juvenile members of the family and disabled or invalid dependants.

Those whose total income is below ¥3,000 (after making deductions as provided for in A in the case of the earned incomes) are allowed abatement at the rate of ¥100 per capita upon their application, if, on March 1st of the year, the head or any members of the family are under 18 years or over 60 or disabled or invalid. The amount remaining after this abatement is made is their assessable income.

C Abatement of life insurance premium.

Premium paid on a life-policy by a person for the benefit of himself, his family or heir may be deducted in accordance with the Order and on his own application within the limit of ¥200 a year.

Minimum Liable to Taxation

A Class I and II. All income is taxed.

B Class III. Income under Class III not exceeding ¥1,200 is exempted from taxation, as is also income when the taxable portion is made less than ¥1,200 as a result of abatements made for the earned income, certain family dependants and life insurance premiums.

Tax Rates

Class I

A Ordinary income of a Corporation.

A corporation that has its head office or principal business office

within the territory where the Income Tax Law is enforced.....5%

B Excess profits of a Corporation.

Excess profits of a corporation are divided into three classes with a separate rate for each class:

That portion of the income in excess of 10% and under 20% of the capital.....4%

That portion of the income in excess of 20% and under 30% of the capital.....4%

That portion of the income in excess of 30% of the capital....20%

C Net assets of Corporations at liquidation or amalgamation.

Net assets of corporations at liquidation or amalgamation are divided into two classes with separate rates:

The total of reserves and income exempted by law from the income tax.....5%

Others.....10%

D Undivided profits of a Family Corporation.

In fixing the rate of the tax, an annual income is calculated on the basis of ordinary income of the accounting period. To 10% of the portion under ¥50,000 of such annual income is added, 15% of the portion from ¥50,000 to ¥100,000, 20% of the portion from ¥100,000 to ¥500,000, 25% of the portion from ¥500,000 to ¥1,000,000, and 30% of the portion in excess of ¥1,000,000; and the percentage that the total bears to the ordinary income is the rate of the tax.

E Income of a Corporation having no head office or principal business office in the territory where the Income Tax Law is in force....10%

Class II

A Interest on public bonds..4%

Other interest.....5%

B Profits on dividends.....7%

Class III

Income under this class is divided

into the following categories and the progressive rates are applied to the respective categories; but income from forests is assessed separately by multiplying the amount obtained by applying the following rates to one-fifth of such income by five.

Income not exceeding	¥	0.8 %
Income exceeding	1,200	2
" "	1,500	3
" "	2,000	4
" "	3,000	5
" "	5,000	6.5
" "	7,000	8
" "	10,000	9.5
" "	15,000	11
" "	20,000	13
" "	30,000	15
" "	50,000	17
" "	70,000	19
" "	100,000	21
" "	200,000	23
" "	500,000	25
" "	1,000,000	27
" "	2,000,000	30
" "	3,000,000	33
" "	4,000,000	35

The tax for the head and each of the other members or inmates of the family living together, if any, is determined by applying the rates to the total of their incomes and then working out the amount thus obtained in proportion to their respective incomes.

The above provision applies also to the incomes of two or more than

1st period	Between July 1 and 30 of the current year
2nd "	" October 1 " 30 " " " "
3rd "	" January 1 " 31 of the following year
4th "	" March 1 " 31 " " " "

Protests and Petitions

(1) Inquiries. In case a person liable to taxation has any objection regarding his taxable income as notified by the Government, he may within twenty days from the notification apply in writing for an inquiry to the Revenue Superintendent through the Chief of the Taxation Office, stating the points of objec-

tion and attaching documentary evidence.

When the aforesaid application is submitted, the Government gives judgment according to the decision reached by the Committee of Inquiry on Incomes consisting of three tax collectors appointed by the Minister of Finance and those who have been elected by mutual vote

Time of Payment

Class I
Income tax under this class is collected at the end of every accounting period. The tax on the income at liquidation or amalgamation is collected when the liquidation or amalgamation has been effected.

Class II
The tax is collected by the payer of the money coming under this class at the time of its payment, and he in turn transmits the tax to the Government by the 10th of the ensuing month.

Class III
Income tax under this class is divided into four equal parts which are paid respectively at the following four periods:

1st period	Between July 1 and 30 of the current year
2nd "	" October 1 " 30 " " " "
3rd "	" January 1 " 31 of the following year
4th "	" March 1 " 31 " " " "

tion and attaching documentary evidence.

When the aforesaid application is submitted, the Government gives judgment according to the decision reached by the Committee of Inquiry on Incomes consisting of three tax collectors appointed by the Minister of Finance and those who have been elected by mutual vote

from among the members of Incomes Investigation Committees in the prefectures or Hokkaido within the jurisdiction of the Revenue Superintendence Office, one for each prefecture and four for Hokkaido.

(2) Decrease against estimated income. When the actual income of a person liable under paragraphs 5 and 6 of Class III decreases by more than one-half of the estimate, he may apply to the Government for a revision of the amount of his income, but such application should be made before January 31 of the ensuing year. This provision, however, is not applied to decreases brought about by succession, donations or continuation of a business after the amount of income has been determined by the Government.

(3) Petition and suit in the Court of Administrative Litigation. A person who is dissatisfied with the decision of the Committee of Inquiry on Incomes or the revision as defined in the foregoing provision may file a petition or bring a suit in the Court of Administrative Litigation.

Taxation as regards National and Local Loans In the following cases the interest on the bonds, whether

domestic or foreign, is exempted from taxation:

(1) When the Japanese national bonds issued abroad are owned by foreigners;

(2) When domestic Japanese national bonds are owned by foreigners;

(3) When the Japanese national bonds issued abroad are imported into Japan.

In the following cases the interest received within the territory where the Law is in force is taxable:

(1) When the Japanese local bonds issued abroad are imported into Japan;

(2) When domestic Japanese local bonds are owned by foreigners.

Exemption on the Profits from Foreign Shipping A foreign person or foreign corporation who has no domicile in this country is exempted from income tax on the profits from shipping of a foreign nationality, provided that the country, to which such shipping belongs, extends similar exemption to the profits of Japanese shipping.

With respect to a reciprocal exemption from income tax on the profits of shipping, agreements were made with the following countries:

United States of America	On June 8, 1926
Denmark	On October 15, 1927
United Kingdom of Great Britain and Northern Ireland	On August 10, 1929
Canada	On September 21, 1929
France	On May 5, 1931
Norway	On December 23, 1931

2 Land Tax

The land tax has hitherto been levied on the basis of the assessment of 1873. In view, however, of the fact that after that year there was only a partial revision in the assessed value which, with the progress of economic conditions, became unadapted to actual circumstances and in many cases caused unfairness in

the incidence of taxation, fundamental amendments were effected in 1930 in this tax, whereby the rental value was taken as the basis of tax assessment. At the same time, part of the surplus revenue arising out of the conclusion of the London Naval Treaty was devoted to the reduction of this tax.

Basis of Assessment The land tax is imposed on the basis of the rental

value of land entered in the cadastre. From 1930 to 1937, it is to be levied according to the rental value assessed during the two years 1926 and 1927, but after that period it will be levied according to a rental value to be amended every ten years. The first amendment will be made in 1938.

Payers of Tax All landowners are liable for this tax. In the case of land under mortgage, however, the tax is collected from the mortgagee; and in the case of land under superficies of more than one hundred years, it is collected from the superfiary.

Rates of Tax Formerly, the land tax was imposed according to the value of land, and the rates were 2.5% on residential land, 4.5% on rice and other fields and 5.5% on other lands. With the amendment of this tax by which the rental value was taken as the basis of tax assessment, however, the tax is levied on all categories of land at the rate of 3.8% with the exception of 4% in 1931.

Tax Reduction and Exemption Reduction is made for a fixed period in the case of developed land (land sold or transferred by the Government under an agreement previously made to the effect that, after the completion of its clearing, it should be sold or transferred in accordance with Art. XXI, State Property Law, and become taxable land), land under cultivation (land converted from waste, forests, etc., into rice-fields, lots for building purposes, etc.) and land the classification of which was interchanged. Reclaimed land, waste land and land damaged by calamities are exempt from the tax. There is also a regulation providing that petty independent farmers owning rice or other fields within the city, town or village where they are

domiciled or within the neighbouring cities, towns or villages, should be exempt from the land tax in cases where the rental value of rice or other fields is under ¥200, including that of the fields owned by other members of their families. The rice or other fields tenanted are, however, not exempted from the land tax.

3 Business Profits Tax

The business tax of 1896 was based upon external valuation of a business and the tax burden was not necessarily borne by tax-payers in proportion to their ability. In order to remedy this inequality, the business tax law was thoroughly revised and the Business Profits Tax Law, enacted for the purpose of imposing a tax on the net profits of a business, was promulgated in March, 1926 and put into effect on and after January 1, 1927. The important points of this law are given below:

(1) Persons liable to the Business Profits Tax.

A A commercial corporation with head office, branch office or any business office in the territory where the Business Profits Tax Law is in force.

B A person who engages in any of the following businesses in the territory where the Business Profits Tax Law is in force:

- (1) Sale of goods,
- (2) Banking,
- (3) Mutual loan business (Mujin),
- (4) Money-lending,
- (5) Renting of goods,
- (6) Manufacturing (including the generating and supplying of gas and electricity, and the repairing of articles),
- (7) Transportation (including transportation agencies),
- (8) Warehousing,

- (12) Photography,
- (13) Renting assembly rooms,
- (14) Inn-keeping (including boarding-house keeping, but excluding dosa-house keeping),
- (15) Restaurant keeping,
- (16) Commission agency (in transactions outside of what are defined as commercial transactions by the Commercial Law),
- (17) Representation (of merchants in the transaction of regular business),
- (18) Commission agency (in commercial transactions defined by the Commercial Law), and
- (19) Commission business.

Basis of Assessment The tax is assessed on net profits, viz., in the case of a corporation, the balance remaining in each accounting period after deducting the total losses from the gross profits for the period and, in the case of an individual, the balance remaining after deducting necessary expenses from the gross profits for the preceding year.

General and Temporary Exemption

(a) No business profits tax is levied on the profits of the following businesses:

- (1) Dealing in postage and revenue stamps issued by the Government;
- (2) Manufacture, repairing and sale of scales, weights and measures;
- (3) Sale of minerals mined or extracted by the seller himself;
- (4) Publishing under the Newspaper Law;
- (5) Business transacted in offices outside of the territory where the Business Profits Tax Law is in force;
- (6) Theatrical performances and fisheries when conducted by a corporation;
- (7) Sale of, or manufacturing

processes carried out on products of agriculture, forestry, live-stock breeding or marine industries; but such sale or manufacture in a place specially prepared for the purpose is not exempted.

(b) Net profits derived from industries producing certain important goods specified by the Imperial Ordinance are exempt from the business profits tax under the provisions of the Ordinance during the first four years of operation of a factory.

Minimum Net Profits Assessable The minimum net profits assessable are ¥400 in the case of an individual, but there is no such exemption in the case of a corporation. The rate of the tax follows:

Corporation	3.4 %
Individual	
Less than ¥1,000 of net profit	2.2 %
Exceeding ¥1,000 of net profit	
Fractions less than ¥1,000	2.2 %
Fractions exceeding ¥1,000	2.6 %

The tax has hitherto been levied at the rate of 3.6% on corporation and 2.8% on individuals, but a part of the surplus revenue arising out of the London Naval Treaty was, as previously mentioned, used to reduce the rates. For corporations this reduction was effective from the business year ending on and after April 1, 1932, and for individuals from 1931. The rate for individuals was, however, in 1931 only 2.5% for fractions less than ¥1,000 and 2.8% for those exceeding ¥1,000.

Prevention of Double Taxation In order to avoid the double imposition of supplementary direct national taxes,

(a) in the case of a corporation, the amount of the land tax or the capital interest tax paid by a corporation for each accounting period is deducted from the amount of the business profits tax assessable on the profits of such a corporation for

the said period ;

(b) in the case of an individual, the amount of the capital interest liable to the capital interest tax is deducted from the net profits in calculating the basis of the business profits tax, while the amount of the land tax that has been paid on the land used for the business is also deducted from the amount of the business profits tax assessed on the net profits of the business.

Time of Payment In the case of a corporation, the tax is to be paid at the end of each accounting period and semi-annually in the case of an individual.

The first payment is to be made between the 1st and the 31st of August of the year and the second between the 1st and the 30th of November.

Exemption of Foreign Shipping Provided their country extends similar exemption to Japanese shipping foreigners or foreign corporations having no legal domicile in Japan are, after May 11th, 1928, not only exempt from the income tax but also from the business profits tax on the earning and profits of their foreign owned shipping. The agreements mentioned above in Section II, of Income Tax, regulate the exemptions from this tax also.

4 Capital Interest Tax

The capital interest tax was put into force on April 1, 1926, with a view to supplementing, together with the land tax, the business profits tax and the income tax, Japan's primary direct national tax. Thus, one of the defects of our system of taxation, viz., the unfair distribution of the burden of taxation between income from invested capital and that from personal service, has been eliminated. The important points are as follows :

Persons liable to the capital in-

terest tax are the receivers of interest on capital in the territory where the capital interest tax law is in force.

Basis of Assessment

Class A

Interest on public bonds, on debentures issued by ordinary business corporations or the Central Chest for Industrial Associations in Japan, or on bank deposits ; or profits from trust funds employed in loans by a trust company.

Class B

Interest on loans made on a non-business basis or on deposits as classified among the incomes under Class III, received during the previous year by a person liable to pay tax on income under Class III ; and in this case the income of a former owner is considered to be that of his heir.

Exemption from Taxation No capital interest tax is levied on the following capital interest under Class A :

(1) Interest received by persons exempted from Class II income tax under the provisions of the Income Tax Law, etc.

(2) Interest on Savings Bonds or the Reconstruction Savings Certificates.

The rate of the tax is 2% of the amount of capital interest and the time of payment is :

For the capital interest under Class A :

At the time of payment of such interest.

For the capital interest under Class B :

Semi-annually, viz., the first payment between the 1st and 31st of August and the second payment between the 1st and 30th of November.

5 Succession Tax

The Succession Tax Law was promulgated in January, 1905, and put into operation on April 1st of the same year. Since then it has been revised several times, the last revision being undertaken in April,

1926. According to this law, when a succession occurs, irrespective of the question whether the place of its occurrence lies within or without the Empire, or whether the predecessor or the heir is or is not a Japanese subject, the tax is imposed upon the descendible property which lies in a place where the aforesaid law is in force. But the kind of descendible property subject to the succession tax and the method of valuation of the property differ according as the predecessor has or has not a domicile in a place where the said law is in force.

The following are taken as descendible property subject to this tax :

A When the predecessor is domiciled in a place where the said law is in force :

(1) Movable or immovable property in a place where the said law is in force ;

(2) Rights existing in respect of immovable property in a place where the said law is in force ;

(3) Property-rights other than those specified in the foregoing two items.

B When the predecessor is not domiciled in a place where the said law is in force :

(1) Movable or immovable property in a place where the said law is in force ;

(2) Rights existing in respect of immovable property in a place where the said law is in force.

Exemption In the following cases the property is exempted from the succession tax :

(1) The value of a property which does not amount to ¥5,000 in the case of succession to the headship of a house is not subject to the succession tax ;

(2) The value of a property which does not amount to ¥1,000 in the case of succession to property

is not subject to the succession tax ;

(3) When a succession occurs through death in a battle, or through death caused by wounds or sickness incurred in a battle, of officers and privates of the Army or Navy and others attached thereto, the property of the deceased is not subject to the succession tax ;

(4) When a succession occurs again within five years to the property upon which the tax has been imposed, the amount of succession tax corresponding to the amount of tax previously collected is remitted ;

(5) When a succession occurs again within seven years to the property upon which the tax has been imposed, half the amount of succession tax corresponding to the amount of tax previously collected is remitted.

The Rate The succession tax is, after the value of assessment has been classified, imposed by applying the proper rate of tax in the proper degree in each case according to the kinds of successors.

The tax-rates vary, in the case of succession to the headship of a family, from 0.5% to 16% and in the case of succession to property, from 1% to 21%, according to the amount of the property and to the kinds of the successors.

The lowest rate is applied to an estate under ¥5,000 in the case of succession to the headship of a family and to a legacy under ¥1,000 in the case of succession to a property, while the highest rate is applied to that portion of an estate or legacy exceeding ¥5,000,000.

With respect to successions occurring in accordance with the laws of a foreign country the tax-rates of the succession to property shall correspondingly apply.

When a donation, over ¥1,000 in value, of other properties than real estate within the territory

where this law is in force or vested, is made in the following cases, it is considered to be a legacy and the succession tax applies:

- (1) On donations to relatives.
- (2) On donations made by the head or a member of the main family to the head or a member of a branch family at or after the time of setting up such branch family.

The Revision The following revision has been made in this tax:

(1) When a creator of a trust causes another person to possess the right to get the benefit accruing from the trust, that right shall be deemed to have been given or bequeathed at the time of such transfer, and the new possessor shall be taxed in conformity with the provisions of the Succession Tax Law.

(2) When, in the case stipulated in the preceding paragraph, a beneficiary is not specified or does not

exist at the time of creation of the trust, a direct descendant of the creator of the trust is considered to be the beneficiary and the trustee to be an administrator.

(3) The right to receive the benefit from a trust shall be appraised by the Government at its discretion.

6 Tax on Liquors

Tax on Saké According to the law now in force, the tax is imposed upon persons brewing saké, which is divided into five classes, namely, Seishu (refined saké), Dakushu (unrefined or muddy saké), Shirozaké (white saké), Mirin (sweet saké) and Shōchu (distilled saké).

The tax is levied at the following rates for the year commencing on the 1st of October and ending on the 30th of the following September:

1st kind	Dakushu containing not more than 23° of alcohol	30 yen per koku
2nd kind	Seishu and Shirozaké containing not more than 23° of alcohol	40 yen per koku
	Mirin and Shōchu containing not more than 30° of alcohol	
3rd kind	Shōchu containing more than 30° and not more than 45° of alcohol	1.50 yen per koku for each additional 1° over the rate for the 2nd kind, i.e., 40 yen
4th kind	Seishu, Dakushu and Shirozaké containing more than 23° of alcohol	1.80 yen per koku for each 1° of alcohol
	Mirin containing more than 30° of alcohol Shōchu containing more than 45° of alcohol	

By the quantity of alcohol in the above table is meant the percentage of alcohol with a specific gravity of 0.7947, contained in the original fluid at the temperature of 15° C. (59° F.).

The number of koku of saké and the basis of assessment are inspected and assessed when the brewing is finished.

Beer Tax The beer tax, created in 1901, is levied upon brewers of beer at the rate of 25 yen per koku on the quantity brewed.

Tax on Alcohol and Alcoholic Liquors

Upon revision of the saké tax in 1901, the tax on alcohol and alcoholic liquors was separated from the saké tax. It is imposed upon alcohol and alcoholic liquors, except those subject to saké or beer tax, and wine at the rate of 1.80 yen for each per cent. of pure alcohol contained in 1 koku of the original fluid. In no case, however, may the rate of the tax fall below 42 yen per koku.

No tax is levied upon wine or other alcoholic liquors made from fruits of any kind.

7 Sugar Excise

Sugar excise, introduced in 1901, is imposed in respect of sugar, molasses and syrups, which are taken delivery of from manufactories, custom-house compounds, bonded warehouses, customs temporary depots and in other places where the storage of foreign goods is permitted by laws and ordinances, for the purpose of domestic consumption. The rates vary from ¥0.9 to ¥9.5 per picul according to the kinds of articles. As a part of the surplus revenue realized by the conclusion of the London Naval Treaty was applied to the reduction of this tax, the former rates which were from ¥1 to ¥10 were thus reduced. These rates are effective from January 1, 1932.

8 Table Water Tax

The table water tax was established in April, 1926, and is levied on the consumption of all kinds of aerated drinks like "citron" or soda water, except those that contain less carbonic acid gas than 5/10,000 of the gross weight, or those that contain more alcohol than 1% of the gross weight. Manufacturers of aerated water are liable to pay the tax.

The rates of the tax are as follows:

Class I Tama-ramuné (Aerated water sold in bottles with round glass stoppers suitable for permanent use) ¥7 per 1 koku.

Class II Aerated water sold in bottles other than those mentioned above ¥10 per 1 koku.

Class III Aerated water sold in receptacles other than bottles 3 yen per 1 kilogramme of carbonic acid gas used.

The tax is ordinarily collected at the time of dispatch of the goods, the manufacturers furnish declara-

tions as to quantities and the Government uses these as the basis of calculating the amount of tax payable; the tax of the preceding month is due by the end of the next month.

9 Mining Tax

The mining tax is imposed upon persons holding mining rights under the Mining Law of 1905. The rates of the tax are as follows:

I Tax on mining sets:

(a) 30 sen for each 1,000 tsubo per annum in the case of prospecting.

(b) 60 sen for each 1,000 tsubo per annum in the case of mining.

II Tax on mining products:

1 per cent. of the value of products (gold, silver, lead and iron ores are exempted from this tax).

10 Placer Tax

The placer tax is imposed upon persons engaged in recovering gold-dust. The rates of the tax are as follows:

Alluvial 30 sen per annum per cho of placer area.

Non-alluvial 30 sen per annum per 1,000 tsubo of placer area.

11 Tax on Bourses

The tax on bourses has hitherto been levied upon bourses according to the amount of transactions carried on in such bourses; but in the revised tax law which came into force in September, 1914, this tax is subdivided into the bourse business tax and bourse tax.

The bourse business tax is levied upon bourses unless they are organized as corporations, at the rate of 15 per cent. of the total sale commissions received by such bourses.

With the revision in April, 1922

of the Bourse Law, the bourse tax was revised as follows:

(1) In respect of marginal bargains carried on at a bourse the bourse tax is levied at the following rates according to the amount of the transaction:

Class I Local loans and company debentures.

A Bargains to be settled within the limit of 7 days

0.6/10,000

B Others 1/10,000

Class II Negotiable paper.

A Bargains to be settled within the limit of 7 days

1.5/10,000

B Others 2.5/10,000

Class III Merchandise

2.5/10,000

(2) Bargains cancelled are not exempt from the tax.

12 Tax on the Issue of Bank Notes

Since 1899, the issue of bank notes against the security reserve within the limits prescribed by law has been subject to a tax of 12.5 per cent. per annum on the average monthly amount of issue after deducting therefrom that portion which has, by special order of the Government, been advanced to the Government itself or to others without interest or at an interest not exceeding one per cent. per annum. A change was introduced into the Convertible Note Bank Act at the 62nd session of the Imperial Diet in 1932, by which the guaranteed reserve issue limit was expanded from ¥120,000,000 at once to ¥1,000,000,000 and at the same time the guaranteed reserve issue tax was reduced from 5 per cent. to 2, with the object of making the increased issue of currency and bonds easier.

13 Textiles Consumption Tax

The textiles consumption tax es-

tablished in 1905 is levied at the rate of 9 per cent. of the value upon persons taking delivery, at the time of such delivery, of textiles from factories, custom-house compounds, bonded warehouses, temporary customs depots and other places where the storage of foreign goods is permitted by laws and ordinances. Formerly the tax was levied at the rate of 10%, but a part of the surplus revenue realized by the conclusion of the London Naval Treaty was applied to reduce the rate to 9%. Cotton fabrics and other fabrics of low grade defined by law are exempt from the tax.

The above amendment has been effective since December 1, 1931.

14 Tonnage Dues

Tonnage dues were introduced in 1899. Vessels entering a Japanese port from a foreign country must pay tonnage dues of 7 sen per registered ton or per ten koku of actual capacity; but by the payment of 21 sen per registered ton or per ten koku, they are for one year exempt from all further tonnage dues at that port.

15 Customs Duties

Customs duties for the last five years have amounted to

	(in ¥ 1,000)
1928	150,944
1929	186,097
1930	105,880
1931	114,374
1932 (estimate)	128,084

This subject is dealt with more fully in the Chapter on Foreign Trade to which the reader is referred.

Stamp Receipts

Taxes and fees belonging to this category at present exceed four-score, chief among them are: the registration tax, stamp duties on

legal documents, playing cards tax, shooting license tax, civil suit stamps, examination fees, and charges and dues levied according to the customs law and other regulations connected therewith. Of these, the registration tax is levied, by means of adhesive stamps, on the registration of real estate, ships, the mass of mortgage properties, commerce, lawyers, doctors, veterinary surgeons, mariners, copyrights, industrial patents, mining rights, alluvial mineral rights and fishery rights; and such registrations are charged either with an ad valorem or a fixed duty. The stamp duty is imposed, by means of adhesive or embossed stamps, upon legal documents and books certifying the acquisition, forfeiture and transfer of property, and a graduated or fixed duty applies thereto.

The registration tax was, however, revised by Law No. 63 promulgated on April 24, 1929, and it was decided that the registration of the premises of foreign embassies, legations and consulates in Japan should, upon condition of reciprocal agreements, be exempt from the registration tax.

Receipts from Government Enterprises

1 Tobacco Monopoly

In 1876 the Tobacco Regulations were for the first time promulgated and a tax was levied on tobacco; but in 1898 this tax was abolished and the Leaf-Tobacco Monopoly Law was put into operation. In 1904 with a view to enforcing stricter control by introduction of a complete monopoly system on the one hand and from considerations of financial requirements on the other, the Leaf-Tobacco Monopoly Law was replaced by the Manufactured Tobacco Monopoly Law, which is the

law still in force. According to the provisions of this law, the cultivation of leaf-tobacco is permitted to private individuals who have obtained the permission of the Government therefor; the leaf-tobacco gathered by them is taken over by the Government and payment is made according to quantity and quality; it is manufactured at Government factories and the manufactured article is sold at fixed prices by dealers licensed by the Government. Foreign tobacco cannot be imported except by the Government or persons appointed for the purpose by the Government, while tobacco can be exported only by persons who have been specially permitted to do so by the Government.

At the Cabinet meeting held on June 17, 1930, it was decided to place the wholesale tobacco business under the direct management of the Government on and after July 1, 1931. Such decision has been consummated.

2 Salt Monopoly

The Government, from considerations of financial requirements and of the salt supply, issued the Salt Monopoly Law in January, 1905, which came into operation in June of the same year. According to the provisions of this law, salt can only be manufactured by persons licensed by the Government and all salt produced is taken over by the Government at prices varying with its quality. Formerly, the price at which the Government sold it was the cost price plus a fixed rate of profit and expenses, but as referred to below, no profit is at present added in arriving at the selling price. Salt is sold only by persons licensed by the Government. Foreign and Taiwan salt cannot be imported except by the Government or persons appointed for the purpose by the Govern-

ment, while for the purpose of exportation, salt is sold by the Government at a specially reduced price and can be exported by anybody. Salt intended for use in industry, agriculture, mining and fishery of some kind receives special treatment and is sold at a specially reduced price. A considerable amount of profit was annually obtained from the salt monopoly up to the financial year 1917-18, but, in and after the financial year 1918-19, the idea of realizing profit was done away with from the view-point of social policy. Further, with a view to controlling the overproduction of salt resulting from the improvement in salt manufacture in Japan proper and the colonies and reducing the salt price, the Government promulgated in April, 1929 the Law regarding the Adjustment of Salt-fields. Thus it prohibited some domestic salt producers from manufacturing salt on two occasions during 1929 and 1930.

3 Camphor Monopoly

The Camphor Monopoly Law was first put into force in Formosa only; but the Government issued in June, 1903, and carried into effect in October of the same year, the Crude Camphor and Camphor Oil Monopoly Law to be operative both in Japan proper and Taiwan, which provides that the manufacture of crude camphor and camphor oil shall be confined to those persons who have obtained the permission of the Government therefor, and the article so manufactured shall be taken over by the Government in return for suitable compensation according to quality. Formerly, the domestic consumption of camphor was confined to a small quantity, and a large portion of the Japanese camphor was exported to Europe and America. The rapid progress in the

celluloid industry, however, has caused, of late, an increase in domestic consumption, which has resulted in the absorption of a large quantity of the camphor produced both in Japan proper and Taiwan.

4 Railways

From 1872 when the first railway in Japan (Tokyo-Yokohama) was laid as a Government undertaking, till 1905, the total length of railways, State and local lines combined, reached 7,687 kilometres, showing how steadily the railway net had extended throughout the country. The local lines aggregating 5,224 kilometres were distributed among 38 companies. This state of affairs was fraught with grave inconveniences, for even the ownership of trunk lines was divided between the State and private companies. The service lacked system, the work involved unnecessary expense, while the rolling-stock did not admit of common use. These resulted in a high freight tariff, delay in delivery and so forth. The Russo-Japanese War and the opportunity its termination afforded for expanding the State economic undertakings demanded the unification of the railway service in order to have it carried to a state of greater efficiency. In March, 1906, the Nationalization of Railways Law was enacted and the Government effected in the fiscal years 1906 and 1907 the acquisition of 4,540 kilometres of railways belonging to 17 companies. For the State railways that were thus suddenly expanded, a Special Account was established.

Under the Imperial Railways Special Account Law revised by Law No. 6 of 1909, the receipts and expenditures of the Imperial Railways were set apart, as they are now, as a purely special account and independent of the General Account.

The Imperial Railway capital, and funds for materials required for the Imperial Railways, and all moneys to be invested are made the capital of these railways and a special account is established by applying the annual revenue therefrom to the annual expenditure. The amounts required for the construction and improvement of railways are defrayed out of railway profits; and in the event of a deficit, or in case of consolidating or redeeming public or temporary loans chargeable to this account, the Government is authorized to issue, as a charge on the same account, public loans or make temporary loans from other special accounts or other sources. The public and temporary loans above referred to are the public loans already issued to defray expenditure required for carrying on the railway enterprise, the public loans already issued or to be hereafter issued for the consolidation or redemption of the loans last-mentioned, the public loans issued under the provisions of the Railway Nationalization Law, and the debts chargeable under the same Law to the Government which have not yet been completely repaid, all these loans are chargeable to the special account under consideration; and the amount required in each financial year for their redemption or payment of interest thereon is to be transferred to the Special Account for the National Debt Consolidation Fund. The Railway Special Account is subdivided into the Capital Account, the Revenue Account, and the Stores Account. The Capital Account has for its revenue the moneys transferred from the railway profit, proceeds of public and temporary loans, proceeds of sale of its property, receipts from materials and structures for railway use, and miscellaneous receipts belonging to it, and for its

expenditure the cost of the construction and improvement of railways, redemption of its debts, cost of materials and structures for railway use, and other miscellaneous expenses chargeable to it. The Revenue Account has for its revenue various receipts from the working of railways, charges for the loan of articles forming part of its capital, interest on deposits and miscellaneous receipts belonging to it, and for its expenditure various expenses required for the working of railways, expenses for the upkeep, repair, and replacing of articles forming part of the capital, interest on debts, and miscellaneous expenses chargeable to it. Any balance of the total annual revenue over the total annual expenditure in the Revenue Account forms the profit, while what remains after deducting therefrom the amount to be transferred to the Reserve Account is to be transferred to the Capital Account. The Stores Account has for its capital the capital outlays hitherto expended and those to be expended hereafter and has for its revenue the revenue from the Railway Stores and Workshops and miscellaneous receipts, while expenditure consists of the expenditure on and in the Railway Stores and Workshops and miscellaneous expenses chargeable thereto.

Public Debts

The Japanese Government issued its first public bonds in London in April, 1870, to the amount of £1,000,000 (¥9,763,000) at a price of 98, bearing interest at 9 per cent., and maturing in 1882. In 1873 a 7 per cent. loan of £2,400,000 was issued at a price of 92.5 to mature in 1897. No other foreign loans were paid at maturity. Prior to the issue of the first bonds, frequent borrowings were made by the Government from wealthy merchants in Osaka

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The Japanese Government issued its first public bonds in London in April, 1870, to the amount of £1,000,000 (¥9,763,000) at a price of 98, bearing interest at 9 per cent., and maturing in 1882. In 1873 a 7 per cent. loan of £2,400,000 was issued at a price of 92.5 to mature in 1897. No other foreign loans were paid at maturity. Prior to the issue of the first bonds, frequent borrowings were made by the Government from wealthy merchants in Osaka

and Kyoto. Also to redeem borrowings from France the Tokugawa Shogunate borrowed \$500,000 Mex. from the Oriental Bank, Yokohama, a British institution. The first internal bonds were issued in March, 1873, for the purpose of covering the whole debts inherited from the feudal clans. The amount of issue was ¥10,972,725, followed a little later by another issue of ¥12,422,825. In 1874 capitalized pension bonds were issued to the total amount of ¥16,565,850 and were distributed to those who returned their land to the Government. These bonds were replaced by hereditary pension bonds, which were issued in 1876, to the amount of ¥173,902,900. War debts issues by the Government were in the form of borrowings from the Fifteenth National Bank to the amount of ¥15,000,000 in connection with the Satsuma Rebellion of 1877. At the end of that year the outstanding funded debts of the Government totalled ¥236,000,000, a fairly large amount at that time. In 1878 the Enterprise Bond Act was promulgated and the first bonds of the kind were issued to the amount of ¥12,500,000 with an interest rate of 5 per cent. and issue price of ¥80. Finance Minister Masayoshi Matsukata undertook the readjustment of bonds in 1886 and in October of the same year the Readjustment Bond Act was promulgated. The outstanding funded debts with interest rate of more than 6 per cent. at the beginning of 1886 totalled ¥175,000,000, and this amount was converted into readjustment bonds for redemption in the next 12 years and the interest rate was lowered to

5 per cent. thereby saving the Government about ¥3,000,000 a year. The national debt of ¥260,000,000 before the outbreak of the Sino-Japanese War (1894) increased to ¥350,000,000 in 1895 and ¥500,000,000 in 1899. A rapid increase was experienced through the Russo-Japanese War and in 1910 the outstanding debts totalled ¥2,600,000,000. This was due to the fact that money used to pay the expenses of the Russo-Japanese War was obtained through bond issues to the amount of ¥1,400,000,000. The taking over in 1906, of 17 of the principal private railways under nationalization was also responsible for a large increase. Bonds worth ¥476,000,000 at 5 per cent. were delivered to the private railway companies in payment for their undertakings being taken over by the government. Bonds during the Russo-Japanese War were frequently issued at home and abroad. In Great Britain and America, Japan issued the 1st 6 per cent. sterling bonds, £10,000,000; the 2nd 6 per cent. sterling bonds, £12,000,000; the first 4.5 per cent. sterling bonds, £30,000,000; and others totalling altogether £82,000,000, or about ¥800,000,000. In connection with Japan's sending of expeditionary forces to Tsingtao and Siberia on the Allies' cause, the Government issued bonds eight times with an aggregate of ¥499,000,000 between 1919 and 1922. Besides, "delivery" bonds of ¥115,000,000 were issued for conferment of war bonus. At the end of the Kiyoura Cabinet foreign loans involving ¥550,000,000 were raised to meet the great earthquake and fire reconstruction work.

BOND ISSUES SINCE THE FIRST YEAR OF MEIJI

	Amount issued	Amount redeemed	Outstanding balance at the year end	Debts per capita
1868	4,360	(In ¥1,000) —	4,800	0.147

	Amount issued	Amount redeemed	Outstanding balance at the year end	Debts per capita
		(In ¥1,000)		
1880	3,002	3,863	249,338	6,858
1885	6,582	5,188	241,255	6,324
1890	25,347	10,163	275,236	6,804
1895	90,044	2,126	350,623	8,295
1900	9,425	1,661	508,464	10,697
1905	1,122,761	219	2,104,536	41,545
1910	588,312	523,339	2,672,524	39,757
1915	37,032	54,168	2,489,234	33,536
1920	909,370	409,977	3,77,263	49,490
1921	738,312	433,460	4,077,115	51,355
1922	834,127	569,347	4,341,895	54,026
1923	1,065,266	677,200	4,729,955	58,924
1924	1,035,485	902,424	4,863,013	58,924
1925	600,692	464,529	4,999,176	60,571
1926	537,533	364,998	5,171,766	60,394
1927	742,479	516,377	5,397,866	62,337
1928	689,146	255,747	5,831,261	66,602
1929	441,620	335,449	5,905,718	—
1930	633,432	509,988	6,029,162	—
1931	300,160	326,517	326,517	6,002,805

SPECIAL ACCOUNTS FOR WAR-TIME FINANCING

	(In ¥1,000)		
Account	a. Sino-Japanese War Accounts	b. Russo-Japanese War Accounts	c. World War Accounts
Revenue	225,231	1,721,212	900,547
Appropriations from the general account	23,440	182,430	305,605
Proceeds of loans floated	116,305	1,418,731	d. 555,799
Special funds transferred	78,957	69,312	—
Other revenues (Individual contributions, military railway revenues, etc.)	6,029	50,739	39,143
Expenditure	200,476	1,508,473	881,662
Surplus	24,755	212,739	18,885

a. Account closed March, 1896
 b. Account closed July, 1907
 c. Account closed April, 1925
 d. Includes temporary borrowings of ¥114,500,000

After the Russo-Japanese War, the total indebtedness increased slowly until 1910 and then declined slightly in the years immediately before the World War. The extent of the improvement in the government's credit is evidenced by the fact that in 1910 the government floated a 60-year loan of £11,000,000 in London, and another 60-year loan of 450,000,000 francs in Paris, both bearing interest at 4 per cent. and selling at 95 and 95.5 respectively.

These loans were floated for the purpose of retiring domestic loans. From the end of 1913 to the end of 1916, the total debt was decreased by about ¥131,000,000. Then, during the next three years, it increased by more than ¥700,000,000. The large budget deficits of the post-war years are reflected in the virtual doubling of the public debt since 1918.

The debts of the colonial governments are included as part of the

national debt. These debts, like those of Japan proper, have in part been incurred in connection with the development of productive enterprises. We find that the development of the railroads of Taiwan and Karafuto has been financed through the general budget rather than through bond issues.

The debts of the colonies have in-

creased 2.4 per cent. of the total in 1916-17 to 7.8 per cent. in 1929-30. In 1917 the debts of Chosen and Taiwan stood as ¥31,052,000 and ¥26,951,000 respectively. By 1930 the debt of Chosen had grown to ¥318,451,000, a tenfold increase, while the debt of Taiwan had increased to only ¥113,662,000, or less than fivefold.

AMOUNT OF INTERNAL AND EXTERNAL LOANS REDEEMED OUT OF THE NATIONAL DEBT CONSOLIDATION FUND

Financial Year	Internal Loans	External Loans	Total
	Yen	Yen	Yen
1922-23	370,200	459,869	829,569
1923-24	44,039,525	48,815	44,088,340
1924-25	38,017,225	7,493,185	45,510,410
1925-26	32,880,125	17,639,594	50,519,719
1926-28	48,461,525	18,122,243	66,583,768
1927-28	80,350,375	7,796,784	88,147,159
1928-29	29,247,885	2,697,749	31,945,634
1929-30	97,399,713	4,446,545	101,846,258
1930-31	151,431,835	5,415,233	156,847,068
1931-32	49,932,097	6,445,185	56,377,282

Note: Exclusive of the loans converted.

AMOUNT OF NATIONAL DEBT CHARGEABLE TO THE VARIOUS ACCOUNTS

	Amounts of Debts		Amount of Redemption during the year	
	At the end of 1931	March 31st 1932	At the end of 1931	March 31st 1932
	Yen	Yen	Yen	Yen
General account	3,824,752,978	3,981,466,829	194,166,310	201,939,965
Imperial Ry. Special Acct.	1,655,327,023	1,683,838,918	81,508,188	82,936,793
Special Acct. for Iron Foundry Ind.	25,037,040	24,954,137	1,089,000	1,034,855
.. .. Gov. of Chosen	349,720,879	348,671,351	17,475,517	17,423,041
.. .. Gov. of Taiwan	113,251,062	113,435,902	5,393,039	5,404,009
.. .. Gov. of Karafuto	30,132,058	30,085,825	1,506,603	1,504,266
.. .. Kwantung Gov.	4,509,010	5,129,856	225,451	256,493
.. .. Gov. of South Seas	75,406	75,157	3,770	3,758
Total	6,002,805,457	6,187,657,475	301,317,879	310,503,180

OUTSTANDING NATIONAL DEBTS CLASSIFIED ACCORDING TO THE OBJECTS FOR WHICH THEY WERE RAISED

(March 31st, 1931)

Reorganization of Public Institutions		Feudal Pensions capitalized	
	Yen		Yen
5 % Loan	4,137,850	4 % Franc Loan	45,223,860
4 .. Loan of 1st Series	16,682,826	4 .. Loan of 3rd Series	1,206,218
4 .. Loan of 2nd Series	88,006,020	Total	95,256,955

Economic Undertaking

Railway construction		Harbour, drainage, road, mining, telephone, etc.	
	yen		yen
5 % Loan	254,129,055	5 % Loan	3,055,759
5 .. Loan (Mark Ko)	402,929,000	5 .. Exchequer Bonds	139,629,714
5 .. Exchequer Bonds	712,033,585	4 .. Loan of 1st Series	1,977,387
4 .. Loan of 1st Series	20,579,867	4 .. Loan of 2nd Series	3,137,746
4 .. Loan of 2nd Series	12,031,655	4 .. Sterling Loan of 1st Series	12,267,042
Railway Bonds	39,999,500	4 .. Franc Loan	6,828,268
4 % Sterling Loan of 1st Series	25,826,248	4 .. Sterling Loan of 3rd Series	10,462,408
4 .. Franc Loan	25,512,529	Total	177,358,328
4 .. Sterling Loan of 3rd Series	32,109,130		
Sterling Debenture of the South Manchuria Railway Co.	117,156,000		
Total	643,306,582		
Grand Total		1,820,664,911	

Financial Adjustment

Administrative readjustment and limitation of armament		Redemption of paper money		Conversion	
	yen		Yen		Yen
5 % Loan	87,590,795	4 % Loan of 1st Series	1,667,511	5 % Loan	9,869,422
		4 % Loan of 2nd Series	2,314,911	4 .. Loan of 1st Series	9,498,520
		4 % Franc Loan	6,196,765	4 .. Loan of 2nd Series	7,387,574
		4 % Sterling Loan of 3rd Series	165,281	5 .. Sterling Loan	12,394,447
		Total	10,344,469	4 .. Franc Loan	15,170,926
Total	87,590,795			4 .. Sterling Loan of 3rd Series	10,079,063
				6 1/2 % Gold Bonds	46,698,911
				6 % Sterling Loan	24,568,022
				5 .. Exchequer Bonds	48,456,606
				5 1/2 % Sterling Loan	30,986,286
				5 1/2 % Gold Bonds	36,163,087
				Total	351,272,870
Grand Total				465,109,747	

Financial Adjustment

Tobacco and Salt Monopoly		Reconstruction Works in Districts damaged by the earthquake	
	Yen		Yen
5 % Loan	5,411,125	5 % Loan	364,357,075
4 .. Loan of 1st Series	5,585,677	5 .. Exchequer Bonds	120,185,150
4 .. Loan of 2nd Series	590,640	6 1/2 % Gold Bonds	10,235,947
4 .. Sterling Loan of 1st Series	1,885,725	6 % Sterling Loan	103,078,529
4 .. Franc Loan	2,453,016		
4 .. Sterling Loan of 3rd Series	65,427		
Total	15,991,612	Total	597,856,701

Financial Accommodation

Export bill financing, etc.		Liquidation of the liabilities of three banks with respect to the loan to China		Compensation for loss sustained by the Bank of Japan in discounting Earthquake Bills and Remedial Measures	
	Yen		Yen		Yen
5 % Loan	48,223,370	5 % Loan	127,287,693	5 % Loan	283,653,033
5 .. Exchequer Bonds	327,060,541			5 .. Exchequer Bonds	66,763,750
Total	375,283,912	Total	127,287,693	Total	350,421,783
Grand Total				852,993,388	

Military Affairs

Completion of Armaments		Wars	
	Yen		Yen
4 % Loan of 1st Series	5,634,579	5 % Loan	64,796,818
4 .. Loan of 2nd Series	2,962,894	5 .. Loan (Special)	120,818,100
4 .. Sterling Loan of 1st Series	50,358,729	4 .. Loan of 1st Series	100,623,409
4 .. Franc Loan	12,866,131	4 .. Loan of 2nd Series	26,977,163
4 .. Sterling Loan of 3rd Series	7,717,648	5 .. Exchequer Bonds	449,680,823
Total	79,539,983	5 .. Sterling Loan	210,277,908
		4 .. Franc Loan	39,536,067
		4 .. Sterling Loan of 3rd Series	43,217,266
		6 1/2 % Gold Bonds	212,512,665
		6 % Sterling Loan	111,801,664
		5 1/2 % Sterling Loan	91,051,213
		5 1/2 % Gold Bonds	106,262,912
		Total	1,577,606,014
Grand Total			1,657,145,997

Development of New Territory

Taiwan		Chosen		Karafuto		Kwantung Province	
	yen		yen		yen		yen
5 % Loan	28,259,830	5 % Loan	101,950,664	5 % Loan	7,172,563	5 % Exchequer Bonds	1,030,227
4 .. Loan of 1st Series	3,344,110	5 .. Exchequer Bonds	220,346,600	5 .. Exchequer Bonds	19,940,824	5 % Loan	2,934,216
4 % Loan of 2nd Series	11,750,562	4 % Loan of 1st Series	945,060				
4 % Franc Loan	15,232,865						
4 % Sterling Loan of 3rd Series	406,231						
5 % Exchequer Bonds	53,385,299						
Total	112,378,899	Total	323,242,324	Total	27,113,337	Total	3,964,443
Grand Total					466,699,053		

VARIOUS NATIONAL DEBTS OUTSTANDING

INTERNAL LOANS:	1923	1924	1925	1926	1927
	(In ¥1,000)				
Five % Loan	191,605	233,738	354,416	484,577	632,322
Five % Loan (Mark "Ko")	460,098	443,119	429,023	426,495	419,547
Five % Loan (Special)	148,057	137,841	135,100	134,461	120,847
Five % ("Onshi")	29,970	27,235	27,212	27,185	25,339
Four % Loan (1st Series)	171,440	171,317	171,100	171,075	170,946
Four % Loan (2nd Series)	96,725	96,696	96,584	98,560	96,124
Five % Exchequer Bonds	1,272,208	1,396,249	1,529,520	1,759,230	1,924,806
Railway Bonds	79,999	79,999	79,999	79,999	79,999
Total	2,450,105	2,576,197	2,822,958	3,519,864	3,710,576
EXTERNAL LOANS:					
4 % Sterling Loan of 1899 (1st Series)	92,748	92,748	92,748	91,543	91,352
4 1/2 % Sterling Loan of 1905 (1st Series)	174,156	174,072	—	—	—
4 1/2 % Sterling Loan of 1905 (2nd Series)	177,125	177,125	—	—	—
4 % Sterling Loan of 1905 (2nd Series)	244,068	244,063	244,061	243,638	234,823
5 % Sterling Loan of 1907	224,543	224,543	224,543	224,543	222,821

EXTERNAL LOANS:	1923	1924	1925	1926	1927
	(In ¥1,000)				
4 % Franc Loan of 1910 (issued in Paris)	173,670	173,627	172,998	170,784	170,354
4 % Sterling Loan of 1910 (3rd Series)	107,392	107,392	107,392	105,637	105,489
Franc Exchequer Bonds of 1913 (issued in Paris)	87,931	—	—	—	—
6 1/2 % Gold Bonds of 1924 (issued in New York)	—	300,900	294,036	283,243	275,117
5 % Sterling Loan of 1924	—	—	244,075	244,075	244,075
5 1/2 % Sterling Loan of 1930	—	—	—	—	—
5 1/2 % Gold Bonds of 1930 (issued in New York)	—	—	—	—	—
Debentures of Purchased Railway Companies	9,763	9,763	9,763	—	—
Sterling Debentures of South Manchuria Railway Company	117,156	117,156	117,156	117,156	117,156
Total	1,858,556	1,621,893	1,506,774	1,479,312	1,461,189
Grand total	3,808,661	4,197,590	4,329,733	4,999,176	5,171,766

INTERNAL LOANS:	1928	1929	1930	1931	1932
	(In ¥1,000)				
Five % Loan	806,341	1,105,714	1,316,605	1,372,160	1,587,321
Five % Loan (Mark "Ko")	419,536	419,401	471,389	402,929	396,710
Five % Loan (Special)	120,837	120,831	120,820	120,818	120,818
Five % ("Onshi")	22,218	22,218	22,218	20,668	17,406
Four % Loan (1st Series)	170,419	169,592	169,367	166,538	166,298
Four % Loan (2nd Series)	96,124	95,922	95,784	95,159	94,563
Five % Exchequer Bonds	2,069,826	2,296,297	2,290,423	2,258,518	2,331,954
Railway Bonds	79,999	79,999	79,999	39,999	—
Total	159,171	60,998	—	—	—

EXTERNAL LOANS:	1928	1929	1930	1931	1932
4 % Sterling Loan of 1899 (1st Series)	91,333	91,337	91,337	91,337	91,337
4 1/2 % Sterling Loan of 1905 (1st Series)	—	—	—	—	—
4 1/2 % Sterling Loan of 1905 (2nd Series)	—	—	—	—	—
4 % Sterling Loan of 1905 (2nd Series)	230,558	228,909	228,006	—	—
5 % Sterling Loan of 1907	222,723	222,672	222,672	222,672	222,672
4 % Franc Loan of 1910 (issued in Paris)	169,573	169,367	169,321	169,070	168,997
4 % Sterling Loan of 1910 (3rd Series)	105,429	105,429	105,429	105,428	105,428
Franc Exchequer Bonds of 1913 (issued in Paris)	—	—	—	—	—
6 1/2 % Gold Bonds of 1924 (issued in New York)	272,537	272,347	269,447	269,447	266,395
6 % Sterling Loan of 1924	244,075	244,075	242,075	239,448	236,127
5 1/2 % Sterling Loan of 1930	—	—	—	122,037	122,037
5 1/2 % Gold Bonds of 1930 (issued in New York)	—	—	—	142,426	142,426
Debentures of Purchased Railway Companies	—	—	—	—	—
Sterling Debentures of South Manchuria Railway Company	117,156	117,156	117,156	117,156	117,156
Total	1,453,893	1,451,295	1,446,848	1,479,024	1,472,579
Grand total	5,397,866	5,831,261	5,959,457	5,955,816	6,187,657

JAPANESE EXTERNAL LOANS AND THEIR BANKERS

Kinds of loans	Place of issue	Issuing banks
4 % Sterling Loan of 1899	Great Britain	{ Yokohama Specie Bank Parr's Bank Hongkong and Shanghai Bank
5 % Sterling Loan of 1907	Great Britain	{ Parr's Bank Hongkong and Shanghai Bank Yokohama Specie Bank N. M. Rothschild & Sons

Kinds of loans	Place of issue	Issuing banks
4 % Sterling Loan of 1910 (Issued in Paris)	France	Rothschild Freres
4 % Sterling Loan of 1910 (3rd Series)	France	Rothschild Freres
4 % Sterling Loan of 1910 (3rd Series)	Great Britain	Parr's Bank Hongkong and Shanghai Bank Yokohama Specie Bank
6 1/2 % Gold Bonds of 1924 (Issued in New York)	United States of America	J. P. Morgan & Co. Kuhn, Loeb & Co. National City Company First National Bank of the City of New York
6 % Sterling Loan of 1924	Great Britain	J. Henry Schroder & Co. Westminster Bank, Ltd. Hongkong and Shanghai Banking Corporation Yokohama Specie Bank Baring Brothers & Co., Ltd. Morgan Grenfell & Co. N. M. Rothschild & Sons
5 1/2 % Sterling Loan of 1930	Great Britain	Westminster Bank, Ltd. Hongkong & Shanghai Bank Yokohama Specie Bank Baring Brothers & Co., Ltd. Morgan Grenfell & Co. N. M. Rothschild & Sons J. Henry Schroder & Co.
5 1/2 % Gold Bonds of 1930 (Issued in New York)	United States of America	J. P. Morgan & Co. National City Company Kuhn, Loeb & Co. First National Bank of the City of New York Yokohama Specie Bank
Sterling Debentures of the South Manchuria Railway Company	Great Britain	Industrial Bank of Japan

Internal Loans

The particulars of the national debts are as follows:

Five per cent. Loan This loan was issued mainly for the construction and improvement of the Imperial Railways, the compensation for and purchase of private railways, the colonization of Chosen, Taiwan, Karafuto and Kwantung Province, the relief of Japanese subjects suffering war losses, rewards for distinguished services during the war in 1914-15, retiring allowances in connection with both the administrative readjustment and the reduction of armaments, compensation payments resulting from the reduction of the Army and Navy, reconstruction works in Tokyo and Yokohama necessitated by the Earthquake disaster, compensation for loss sustained by the Bank of Japan in discounting Earthquake Bills, com-

penetration for losses sustained in the accommodation extended to banking institutions in Taiwan and other undertakings, and various grants. The total issues amounted to ¥1,970,247,375, of which ¥382,926,200 has already been redeemed, and ¥1,587,321,175 was still unredeemed at the end of March, 1932.

Five per cent. Loan (Mark "Ko") This loan was issued during 1908-09 for the purpose of meeting the purchase price of railways owned by seventeen private companies. The total issue amounted to ¥476,318,800, of which part has been redeemed, and ¥396,710,150 left unredeemed at the end of 1932. The principal private railways in our country were purchased outright through the proceeds of this loan and were then unified into one State system.

Five per cent. Loan (Special) This loan was issued in the home market in 1906 to the amount of ¥199,671,600

to meet a part of the supplementary war expenditures of the war of 1904-05. These loan bonds are marked "O." There are also other loan bonds specially issued in lieu of cash as rewards for distinguished services during that war. These bonds are marked "Wa" and amounted to ¥110,735,400.

Five per cent. Loan ("Onshi") This loan, amounting to ¥30,000,000 was created at the time of the annexation of Chosen by Imperial Ordinance No. 327 of 1910, and the bonds were specially granted to the Korean peers and to public corporations of the Peninsula to provide funds for promoting industries and education, and for famine relief. ¥17,406,000 was outstanding in 1932.

Four per cent. Loans In order to consolidate the national debt, the Government planned the conversion into low-interest loans of the outstanding five per cent. domestic loans issued before 1905, and with this end in view issued in the home market, with better results than had been anticipated, two series of four per cent. loans amounting to ¥100,000,000 each. As all the five per cent. loan bonds previously issued were accepted in place of cash in subscriptions for the four per cent. loans, such receipts amounted to ¥64,467,500 in the first issue of the four per cent. loans and to ¥86,612,920 in the second. In addition to the total issue of ¥200,000,000 mentioned above, there was a loan of the first issue amounting to ¥76,220,500, which was delivered in place of cash to the bond-holders of various five per cent. loans.

Five per cent. Exchequer Bonds These bonds were issued in order to enable the Government to consolidate and redeem foreign loans, meet extraordinary war expenditure, create and expand higher institutions of learning, construct and im-

prove railways, improve roads, encourage various undertakings in Chosen, Taiwan and Karafuto, consolidate the short-term bonds issued under the Special Exchequer Notes Law for financing Export Bills and giving financial assistance to the Allied Powers during 1914-15, finance reconstruction works in districts damaged by the Great Earthquake and to make loans to banks holding Earthquake Bills. The aggregate amount of existing bonds issued from 1906 to March, 1932 reached ¥4,696,256,000, of which ¥2,364,301,975 has been redeemed, the outstanding balance being ¥2,331,954,025.

Railway Bonds These bonds were, according to Art. II and Art. III of the Imperial Railway Account Law (Law No. 6, 1909), issued to the amount of ¥110,000,000, of which ¥30,000,000, issued in 1915, were appropriated for use as a fund for the redemption of the Sterling Railway Bills; ¥40,000,000, issued in 1916, as a fund both for the redemption of a portion of the Franc Exchequer Bonds and the repayment of temporary loans; and ¥40,000,000, issued in 1917, as a fund for the defrayment of expenses incurred in carrying on the railway enterprises and the repayment of temporary loans.

External Loans

Four per cent. Sterling Loan of 1899 (1st Series) For the purpose of meeting expenditure in connection with the construction of railways, improvement of the existing Government railways, construction of railways in Hokkaido, steel manufacture, and extension of the telephone system, and in accordance with the provisions of the Railway Construction Law (Law No. 4, 1892), the Public Undertakings Loan Regulations (Law No. 59,

1896), the Hokkaido Railway Construction Law (Law No. 93, 1896, and Law No. 101, 1899), the Government issued in London in June, 1899, a loan of £10,000,000 at an issue-price of £90 per £100 face-value, the principal of which was, after being left unpaid for ten years from January, 1899, to be redeemed at the option of the Government by means of drawings in forty-five years.

Five per cent. Sterling Loan of 1907 For the purpose of consolidating and redeeming the six per cent. Sterling Loan of £22,000,000 issued in 1904, the Government raised in March, 1907, a five per cent. loan of £23,000,000 in London and Paris in accordance with the provisions of Law No. 1 of 1904, Law No. 12 of 1905, and the Imperial Ordinance No. 23 of 1907. Its issue-price was £99 10s. per £100 face-value, and the principal was to be left unpaid until March 11, 1922 and thereafter to be redeemed at the option of the Government by means of drawings by March 12, 1947. The proceeds of this loan were applied to the redemption of the six per cent. Sterling Loans of £22,000,000.

Four per cent. Franc Loan The four per cent. loan was issued in Paris in 1910 with the same object as the four per cent. loan issued at home; a portion of its proceeds was appropriated for use as a fund for the redemption of domestic loan bonds which were exported abroad, and another portion for use as a fund for the redemption of the five per cent. loan bonds in circulation at home. The amount of issue was 450,000,000 francs, the rate of interest four per cent., payable on the 15th of May and of November every year. It was to be redeemed within fifty years.

Four per cent. Sterling Loan of 1910 (3rd Series) This was raised in 1910

for the same purpose as the four per cent. loan raised at home and the four per cent. Franc Loan of 1910 raised in France, and was employed as a fund for the redemption of the indorsed War and five per cent. loans in circulation in London. The amount issued was £11,000,000, the rate of interest four per cent., payable half-yearly on the 1st of June and December, the issue-price was £95, and the loan was to remain unredeemed for ten years, after which it was to be redeemed within fifty years; and as the object of the loan was the redemption of the indorsed loans above referred to, the latter loan bonds were accepted in place of cash when the former loan was subscribed for.

S. M. R. Sterling Debentures In accordance with Law No. 34 of 1920, the Government, instead of paying cash for shares, assumed liability for the payment of capital and interest charges of the Sterling Debentures issued in 1907, 1908 and by the South Manchuria Railway Company. The Government is responsible for payment to a total face-value of £12,000,000 or ¥177,156,000.

Six and a Half per cent. Gold Bonds of 1924 Partly, for the purpose of redeeming the outstanding Imperial Japanese Government 4½ per cent. Sterling Loan of the first and second series, which fell due January 15, 1925 and July 10, 1925, respectively, and partly for the purpose of purchasing materials and supplies for reconstruction necessitated by the earthquake and fire of September, 1923, loans with a total face-value of \$150,000,000 were issued in New York in February, 1924, in accordance with Art. I of Law No. 56, 1923 and Art. V of Law No. 6, 1906. The issue-price was \$92½ per \$100 face-value and the loan is to remain unredeemed for fifteen years, after which it is to

be redeemed within fifteen years, namely, by February 1, 1954.

Six per cent. Sterling Loan Loans with a total face-value of £25,000,000 were issued in London in February, 1924, in accordance with Art. I of Law No. 56 promulgated in 1923 and Art. V of Law No. 6, in 1906, for the same purpose as the six and a half per cent. Loan of 1924 issued in the United States of America. The issue-price was £87½ per £100 face-value and the loan is to remain unredeemed for fifteen years, after which it is to be redeemed within twenty years, namely, by July 10, 1959.

The Loan of 1930 For the conversion of the four per cent. Sterling Loan of 1905, the Government issued a 5½ per cent. Sterling Loan of £12,500,000 in London in May, 1930, in accordance with the provisions of Law No. 6 of 1906. The issue-price was £90 per £100 face-value. The principal is to be left unpaid for ten years, after which it is to be redeemed by May 1, 1965.

Five and a Half per cent. Gold Bonds For the conversion of the four per cent. Sterling Loan of 1905, loans with a total face-value of \$71,000,000 were issued in New York in May, 1930, in accordance with Law No. 6 of 1906. The issue-price was \$90 per \$100 face-value. The loan is to remain unredeemed for ten years, after which it is to be redeemed by May 1, 1965.

Provincial Finance

A uniform financial system was adopted in Japan in July, 1871, when prefectural governments were established to take over the power formerly wielded by the clans, which were then to be abolished. Taxes on people formed the largest source of revenue. The total revenue for prefectural taxes in 1873 was only ¥14,800,000, of which taxes on peo-

ple totalled ¥14,200,000. Public expenses, school expenses and land tax revision expenses were the principal items of expenditure. In July, 1878, regulations were issued by the Central Government, to the effect that a distinction should be made between the expenses of prefectures and other bodies, such as cities, towns and villages, and the budget of each prefecture for the next fiscal year was to be formulated before February and submitted to prefectural assemblies and then to both the Home and Finance Ministries. With the introduction of regulations concerning cities, towns and villages in 1887, the local self-government system was consolidated and a great change in provincial finance was brought about. The self-government system for prefectural administrations was enforced in 1891, and the expenses of these bodies have considerably expanded as years have gone by. In 1914, when the World War broke out, their revenue totalled ¥374,000,000 and expenditure ¥327,000,000. Enterprises such as road and bridge building, harbour construction, public works and others, were undertaken, and disbursements increased proportionately. Expenditure in 1924 totalled ¥1,300,000,000, and the Kato (Tomosaburo) Cabinet tried to bring about retrenchment in provincial finance, but no success was achieved. The provincial revenue and expenditure, including prefectural governments, cities, towns and villages, since 1880, follow:

	Revenue	Expenditures
	(In ¥1,000)	
1880	29,609	27,736
1885	32,422	30,376
1890	45,224	42,238
1895	67,657	57,920
1900	150,433	133,410
1905	149,077	135,073
1910	362,629	257,608
1915	356,945	317,872
1920	1,162,290	962,872

	Revenue (In ¥1,000)	Expenditures
1925	1,737,439	1,429,443
1929	1,956,527	1,714,646
1930	1,570,153	1,562,991
1931	1,496,678	1,496,396

Outstanding Debts Outstanding funded debts of provincial self-governing bodies which at the end of 1897 amounted to ¥89,266,115, stood at ¥2,374,415,824 at the end of the 1930-31 fiscal year. Borrowings are mostly for public works, education,

hygiene, industrial development, public utility and other enterprises. The list of these outstanding debts follows:

	Prefectural governments	Cities	Towns and Villages	Others and total
1912	37,321	247,621	13,018	306,957
1915	54,471	260,065	11,540	336,880
1920	110,664	356,247	29,008	509,550
1925	282,474	839,746	115,699	1,267,942
1929	482,412	1,461,953	235,736	2,221,703
1930	534,348	1,540,896	256,305	2,374,415

FOREIGN LOANS OF CITIES

Cities	Names of Loans	Outstanding amount (Mar. 1931) (In ¥1,000)	Years of issue	Years of redemption
Tokyo	Loans for consolidation of old debts, city improvement	6,931	1906	1916-1936
"	Loans for electric enterprise	66,467	1912	1916-1932
"	Reconstruction Work Loan	97,914	1926-27	1927-1961
Osaka	Harbour Works Loan	2,703	1899-1903	1905-1981
"	Loan for Electric Railways and Waterworks	19,996	1909	1919-1938
Yokohama	Harbour improvement and Reclaiming Express Loan (sterling)	1,417	1907	1916-1935
"	Waterworks Loan (2nd Series)	6,309	1909	1924-1953
"	6 % Reconstruction Works Loan (dollar)	37,782	1926	1927-1960
Nagoya	Waterworks Loan	4,005	1909	1917-1943
Total		248,527,723		

Deposits Bureau of the Ministry of Finance

To the Deposits Bureau of the Ministry of Finance is chiefly assigned the duty of working the postal savings deposits. Prior to 1925 the Minister of Finance exercised full control over the investments of the Deposits Bureau, but in that year a committee was formed, under law, to advise on the investments to be made. The law limits the investments of the funds of the Bureau to the following:

(1) Acceptance, underwriting or purchase of Government bonds or prefectural bonds.

(2) Loans to general or special accounts,

(3) Acceptance, underwriting or purchase of debentures or industrial debentures of companies established under special laws.

(4) Loans to banks established under special laws and which are not permitted to issue debentures.

(5) Acceptance or purchase of bonds issued by foreign Governments.

(6) Overseas deposits through the Bank of Japan.

There are "frozen" loans made by the Deposits Bureau to domestic and foreign enterprises, such as those to the Kokusai Kisen Kaisha, Japan Paper Business Company, Nichi-Ro Industrial Development Company, the relief funds for the

Bank of Chosen and Bank of Taiwan, loans to the Communications Bank of China, Hanyehping Iron and Coal Company, Yuhang Kungsu and Nanjen Railway in Kiangsu Province, China. The reparation of these loans is almost hopeless. A great reform was made by Mr. Yuko Hamaguchi, Finance Minister, into the system of the Deposits Bureau in 1925.

Accounts of the Bureau Resources and liabilities of the Deposits Bureau at the end of 1932-33 fiscal year (March 31, 1933) totalled ¥3,595,592,815 each, showing an increase of ¥173,340,342 over the same period of the year before. Of the total amount postal savings deposits totalled ¥2,686,080,591. The funds are invested as follows:

	Amount on March 31, 1933 (In ¥1,000)	Compared with Mar. 31, 1932
Government bonds	1,137,080	in. 117,327
Loans to general and special accounts	393,244	de. 82,612
Prefectural bonds	781,860	in. 136,356
Health insurance association debentures	—	—
Japan Hypothec Bank debentures	418,866	in. 11,192
Japan Industrial Bank debentures	50,682	in. 5,058
Hokkaido Colonization Bank debentures	71,559	in. 9,934
Prefectural hypothec bank debentures	110,651	in. 20,453
Oriental Development Bank debentures	55,907	de. 2,256
Chosen Industrial Bank debentures	85,214	in. 10,014
Co-operative Society debentures	59,503	in. 18,084
South Manchuria Railway debentures	11,503	in. 5,024
Earthquake Reconstruction debentures	3,718	de. 88
Loans to provincial public bodies	9,007	same
Loans to special banks and companies	190,226	de. 1,681
Chinese Government debentures	11,066	same
4 % Internal Chinese bonds	19,266	de. 1,681
British Exchequer bonds	2,532	de. 4,453
Overseas deposits	2,186	de. 127,590
Domestic deposits	11,000	same
Cash	170,554	in. 69,276
Total	3,595,592	in. 173,340

State Property

State property is defined under Article 1 of the State Property Law, promulgated by Law No. 43 in April, 1921 as follows:

"The State property under this Law includes the State-owned real estate and movable estate and rights provided in the Imperial Ordinance." The State property in value is shown below:

	General Accounts	Special Accounts (In yen)	Total
1922	3,953,019,815	1,541,895,766	5,494,915,582
1923	4,133,507,866	1,735,844,602	5,869,352,468
1924	4,189,793,211	1,942,271,168	6,132,064,379

1925	4,221,005,238	2,122,681,908	6,343,687,142
1926	4,269,586,429	2,301,230,572	6,570,817,001
1927	4,729,822,213	2,527,425,509	7,257,247,723
1928	4,798,480,264	2,704,931,432	7,503,411,696
1929	4,914,642,478	2,922,347,476	7,836,989,955
1930	5,016,980,596	3,094,405,381	8,111,385,977
1931	5,083,477,782	3,228,063,033	8,311,540,815

The value of State property under the jurisdiction of the colonial Governments on March 31, 1931, was as follows:

Government-General of Korea	¥587,957,691
Government-General of Formosa	275,415,118
Government of Karafuto (Saghalien)	45,233,142
Government of Kwantung	146,868,745
Government of South Sea Mandated Islands	15,265,964
Total	1,070,740,662

Estate and Rights The State-owned movable estate and rights are as follows:

(a) Ships, floats, floating piers and floating docks.

(b) Appendages of real estate or movable estate given in (a).

(c) Machine and important equipment in Government factories such as iron works, shipbuilding yards, arsenals, the mint, tobacco mills and railways.

(d) Surface rights, servitudes, mining rights, alluvial mineral rights and other rights similar to these rights.

(e) Rights relating to stocks and investments.

The scope of the term "factory" under (c) above is to be determined by the respective Ministers after consultation with the Minister of Finance.

State-owned movable estate and rights, such as, cash, deposits, loans, common fixtures and books, for instance, not mentioned in the above provisions are therefore State property in substance, but do not come under the provisions of this Law.

Four Classifications Article 2 of the State Property Law divides State property into four classes, namely, public property, official property, property used for forestry management and miscellaneous property. Public property is that directly used or to be used for public service by the State; official property is that used or to be used, by the State, for Shinto shrines, or for State services and enterprises or for residences of officials and other personnel; property used for forestry management is that used or to be used, by the State, for the management of forests; while miscellaneous property is that not belonging to these three categories.

The Legal Limitation The Legal limitation of the content of the

"State Property Account" and its categories:

Article 26 of the State Property Law requires the Government to make a yearly statement of the increase or decrease in the State property, and, every fifth year, to issue a comprehensive report covering the entire property for the period; and both these statements are to undergo examination by the Auditing Board and then are to be presented to the Imperial Diet.

The following are, however, excluded from the statements:

(a) Movable estate and rights owned by the State but not subject to the provisions of the Imperial Ordinance, that is, State property in reality if not in law (Art. 1, State Property Law; Art. 1, Imperial Ordinance concerning the State Property Law).

(b) State property belonging to the Governments of Chosen, Taiwan, Karafuto, Kwantung, and South Sea Mandated Islands in which the State Property Law has not yet been put into effect.

(c) Public property (Art. 28, State Property Law).

(d) The value of lands used for religious purposes by Buddhist temples, the public land of public corporations, and of sites of Shinto shrines (Art. 2 and 5, Ordinance No. 14, Department of Finance).

The figures given above are based on these official statements of State property, and accordingly, the total value of the property owned by the Imperial Japanese Government including State property mentioned in (a)—(d) above will be much higher than the figures given herein. Paragraph (b) above excludes property in the colonies, but for the purpose of reference this has been added as an appendix to the table of State property. Recognizing that it is expedient to apply the State property

Law to these colonies, the Government is now making preparations therefor, and when this law is put into effect, the property in these regions will be included in the statements. Further, as there prevails an opinion that the value and volume of property mentioned in (c) and (d) should be given in the statements, they will be included therein in the near future.

Administration of State Property The administrative service over State property includes both direct management and general administration, the former under the direction of the respective Departments, the latter under the Minister of Finance. Each Minister administers the State property of his Department; but the Minister of Finance also undertakes, as the competent Minister, the general management of all the property and, thus, unifies the direct management by keeping the different Ministers in touch with each other so as to secure the full use of the property.

The Increasing Tendency The tendency of State property to increase is indicated in the table of statistics given above, and is due to the purchase, expropriation and contribution of property, construction of buildings and ships, and the acquisition of rights (acquisition of real estate without owner, acquisition of stocks and of rights due to investment, establishment of surface rights, etc.). Moreover, the revaluation of property made every fifth year causes an increase or decrease in the total value of State property.

Funds from the Adjustment of State Property With the exception of receipts coming under other special accounts and those from the disposition of state forests and plains or of uncultivated places in the Hokkaido, the receipts from the adjustment and disposition of State property and other miscellaneous receipts constitute the funds from the adjustment of State property and the revenue and expenditure are segregated in a Special Account.

These funds are transferred to the General Account and then, in addition to being used for building and repair and other expenditure necessary for the adjustment of State property, are, in case of necessity, used for purposes other than those mentioned above in accordance with the Budget Estimates (Articles 1—4, Special Account Law for Funds from the Adjustment of State Property by Law No. 6, 1922; Exceptions in the Special Account Law for Funds from the Adjustment of State Property by Law No. 15, 1927).

The following are the statistics of revenue and expenditure in the funds from the adjustment of State property for the financial years 1922-23 to 1932-33:

Year	Revenue Yen	Expenditure Yen
1922-23	1,377,166	2,739,835
1923-24	3,215,130	3,339,704
1924-25	3,037,987	2,700,176
1925-26	5,271,902	1,075,871
1926-27	8,802,500	2,566,294
1927-28	12,904,107	15,228,814
1928-29	11,373,386	15,913,470
1929-30	9,349,573	9,102,751
1930-31	6,439,664	6,237,805
1931-32	7,399,283	5,660,151
1932-33	7,700,317	5,905,825

CHAPTER X

BANKING AND THE MONEY MARKET

Before the Meiji Restoration no such institutions as banks, trust companies or savings banks in the modern sense of the term existed. Finance was in the hands of millionaire merchants of Yedo (Tokyo), Osaka or other large cities as side business, but in Tokyo there were money lenders who specialized in making loans to samurai of the hatamoto class, the direct retainers of the Tokugawa Shogun. When the Meiji Government announced that all taxes had to be paid in cash instead of rice, which had been the sole substitute for money in tax payment during the Tokugawa régime, there arose a great demand and consequent shortage of money all over the country. The superseding of feudal clans by prefectural governments had necessitated the issue of bonds by the Meiji Government in order to pension off the daimyo and samurai. Furthermore, the Government had to readjust the inconvertible paper notes so recklessly issued toward the latter stage of the Tokugawa Administration. Such was the position when Shigenobu Okuma (the late Marquis), Minister of Justice, in conjunction with Kaoru Inouye (later Marquis), Vice-Minister of Finance, instructed Hirobumi Ito (the late Prince), who was then visiting New York on his way home from an inspecting tour of England and Germany, to draw up a plan for a financial system for Japan. Ito met New York bankers and listened to their opinions on the adoption of a modern banking system in Japan. The United States at that time had a national banking

system, not the Federal Reserve Bank system as at present and it was such a national bank system that was recommended to and finally adopted by Japan. The text of the scheme was brought home by Ito and the first difficulty that arose was in connection with the translation of the word "Bank" into Japanese. A new word had to be coined, and though "Ryogayé-ya", money exchange shop, and "Kinko," office to handle gold were suggested, "Ginko", an office to handle silver, was the final selection on account of the country's decision to adopt the silver standard of currency.

National Banks

The Japanese National Bank Act was promulgated in November of the 5th year of Meiji (1872) and this formed the cornerstone of the banking business in Japan. The banks established in accordance with this Act were the First National Bank, Tokyo; the Second National Bank, Yokohama; the Fourth National Bank, Niigata; and the Fifth National Bank, Kagoshima. The First National Bank, founded by Eiichi Shibusawa (the late Viscount), was invested in jointly by the Mitsui-Gumi and Ono-Gumi to the amount of ¥2,000,000 out of the total capitalization of ¥3,000,000. The remaining amount of ¥1,000,000 was offered for public subscription. Due to the lack of knowledge of the people regarding the nature of public subscriptions to shares there is little wonder that only ¥448,000 was subscribed. The bank was opened on August 1, 1873. H. E. Shand, a

clerk of the Oriental Bank, a British institution in Yokohama, was engaged by the bank to teach Japanese clerks banking business. With the revision of the National Bank Act in 1876, the number of banks in Japan greatly increased. There were 153 banks with a total capitalization of ¥37,000,000 and with authority to issue notes at the end of 1879. The National Bank Act provided for conversion of the national bank notes into specie. An amendment was made in 1883 in the Act, by which the privilege of issuing notes was taken away from the national banks and granted exclusively to the newly-created central banking institution, the Bank of Japan, and suitable measures were taken for redemption of the national bank notes. Meanwhile, private banks and bank-like business companies, which did not come within the purview of the National Bank Act had increased in number, until their total number reached 954 in 1884, and there were no general provisions to control such banks and companies. To bring them under one efficient control, the Ordinary Bank Act and Savings Bank Act were promulgated in 1890 and put into force three years later. Side by side with these private banks, the national banks acted from the first as financial institutions of general trade. When the terms of their respective charters expired, most of them continued business as ordinary banks, and by February, 1899, national banks ceased to exist, so that there was no longer any difference between the economic functions and legal nature of the former national banks and other ordinary banks, all of which are controlled by general banking law. Ordinary banks are placed under control of the Minister of Finance, whose licence is required for the establishment of a new bank or the amalga-

mation of existing banks; he is also empowered to order at any time investigation into the business condition and property of a bank. Every bank must every half-year prepare and present to the Minister of Finance a balance-sheet and other business reports, the former to be published in newspapers or by some other means. Provisions are also made in the Act with regard to business hours and holidays.

Bank Act of 1927

Though a few amendments had been made from time to time since its enactment, the greater part of the Bank Act of 1890 became obsolete and inadequate on account of a rapid progress in the financial and economic conditions of the country. A new Act, therefore, was promulgated on March 29, 1927, in place of the old legislation, and was put into effect on and after January 1, 1928. The features of the new Act follow in summary:

(1) Banks as defined in the Banking Act are in principle institutions which carry on the operations of giving as well as receiving credits.

(2) Participation in banking business is confined to joint stock companies having at least the minimum capital¹ prescribed by the Act.

(3) The use of the word "Bank" (Ginko) in the trade name is made compulsory for every bank, and the use of the word is prohibited to businesses not being banks.

(4) Banks are strictly prohibited from engaging in business activities other than those prescribed in the Act.

(5) A bank shall, until the full

¹ The minimum paid-up capital for a bank in Tokyo and Osaka must be not less than ¥2,000,000; for towns of more than 10,000 population not less than ¥1,000,000; and for smaller communities not less than ¥500,000.

amount of its capitalization is reached, set aside each time that a dividend is paid on profits 10 per cent. of such profits as a reserve fund.

(6) A strict audit system is established.

(7) Managers or managing-directors while actively engaged as such are not permitted to participate in the management of other companies without sanction of the Minister of Finance.

(8) The Court of Justice shall exercise closer supervision over the liquidation of banks.

(9) The Minister of Finance is empowered to make necessary provisions respecting banks with head offices outside the area, desirous of doing banking business within the area in which the Act is in force.

(10) The power of the Minister of Finance respecting the cancellation of business licences and the giving of various sanctions to banks is greatly increased and the penalties for illegal acts by banks shall be made heavier.

Savings Banks

A Savings Bank Law enacted in 1921 superseded the Savings Bank Act of 1890 and was put into force from June 1, 1922. Certain amendments were made in 1931. The Tokyo Chozo Ginko, or Tokyo Savings Bank, is the only prototype of this kind of bank in Japan. Ten years before the enactment of the law of 1890 concerning savings banks in Japan this bank came into being. As the late Viscount Elichichi Shibusawa was a great benefactor of the present banking system of Japan, so also was Mr. Rokuro Hara, the founder of the Tokyo Chozo. This bank was founded in 1880 with a small capital of ¥20,000.

Essential points of the Savings Bank Law enacted in 1921 follow:

Savings banks are institutions

carrying on the following business:

(1) The receiving of deposits at compound interest;

(2) The receiving of sums of less than ¥10 as deposits at one time;

(3) The receiving of deposits periodically or several times during a certain period and the fixing beforehand of the time of repayment; or

(4) The receiving of money periodically or several times during a certain period under promise to pay a certain amount of money at a certain date. In addition, savings banks are authorized to take up subsidiary business, such as:

(a) The receiving of fixed deposits;

(b) The receiving of valuable articles for custody;

(c) The collection of debts;

(d) The receipt and payment of money as treasurers of public corporations or industrial associations;

(e) The receiving of deposits on demand from public corporations or industrial associations;

(f) The sale on the instalment plan of national bonds, prefectural bonds and debentures of corporations created under special laws; and

(g) The transacting of business in connection with the issue of national bonds and other bonds and debentures referred to above or the payment of their principal and interest.

While no savings bank can carry on business other than that mentioned above, no ordinary bank can carry on the proper business of savings banks. Savings banks shall not carry on transactions requiring the cashing of cheques against the deposits of (1) and (2) mentioned above under the heading of proper business. A savings bank must be a joint-stock company with a minimum capital of ¥500,000 and must obtain a licence from the Minister

of Finance. Savings banks are not permitted to invest their funds in ways other than the following:

(1) To subscribe for, take up, or purchase national and provincial bonds and debentures or stocks approved by the Minister of Finance;

(2) To make loans on pledge of national bonds and other securities referred to above;

(3) To make loans on mortgage of real estate;

(4) To make loans to a depositor up to the amount of his deposits;

(5) To make loans to the amount of his deposits to a person who deposits money periodically or several times during a certain period under promise to pay a certain sum of money at a certain date;

(6) To make loans up to the amount already paid in to a person who receives the securities under a contract made with respect to the sale of securities on the instalment plan;

(7) To make loans redeemable within a period of one year to prefectures, cities, towns and villages;

(8) To make loans redeemable by instalments within a period of two years;

(9) To deposit money with banks or the Deposits Bureau of the Ministry of Finance or the post office;

(10) To deposit money or securities with trust companies in accordance with the Ordinance issued by the Ministry of Finance; and

(11) To purchase bills accepted by banks or trust companies.

Further restrictions on their business are as follows:

(1) Savings banks shall not own or take as security for loans or deposits more than one-fifth of the total stock of a company.

(2) Loans to a person shall not exceed one-tenth of the total amount of the paid-up capital and reserve fund of the bank.

(3) The total amount of loans on mortgage of real estate or the total amount of loans redeemable within a period of one year to prefectures, cities, towns and villages shall not exceed the total amount of the paid-up capital and reserve fund of the bank.

(4) The total amount of loans redeemable by instalments within a period of two years shall not exceed one-fifth of the paid-up capital and reserve fund. In this case, loans to a person shall be less than ¥1,000 and reliable guarantees of more than two persons are required.

(5) The total amount of deposits with any bank and of bills purchased with the acceptance of such bank shall not exceed one-tenth of the amount of the deposits received and one-fourth of the paid-up capital and reserve fund of the said bank.

(6) A regulation given under (5) above is applicable correspondingly to property deposited with trust companies and the total amount of bills purchasable as accepted by the trust companies. Savings banks are obliged to deposit an amount of Government bonds with the Public Deposits Bureau of the Ministry of Justice as guarantee for repayment of the deposits, such bonds to be not less than one-third of the deposits. Savings banks may, however, replace these bonds with the deposits with the Deposits Bureau of the Ministry of Finance. When a savings bank is unable to meet its liabilities with its assets, the directors are jointly under unlimited liability as regards the deposits received before their registration of resignation, and this liability continues for two years after such registration. The above statements refer to ordinary and savings banks, but there exist in addition special banks which are controlled under special laws.

The Bank of Japan (Nippon Ginko)

The Bank of Japan, the central bank of the Empire, was founded in 1882 as a joint-stock company. Its authorized capital, which was at first ¥10,000,000, was increased three times and now stands at ¥60,000,000, of which ¥45,000,000 is paid up. The Bank is authorized to issue bank notes against gold and silver coins and bullion and further to issue such notes on security of Government bonds and Treasury bills, and other bonds and commercial bills of a reliable nature. The business carried on by the Bank is principally as follows:

- (1) To discount or purchase Government bills, bills of exchange and commercial bills;
- (2) To buy or sell gold and silver bullion;
- (3) To make loans on security of gold and silver coins and bullion;
- (4) To collect bills for banks, companies and merchants, who are its regular customers;
- (5) To receive deposits and to accept for custody articles of value, such as gold, silver and other precious metals and documents; and
- (6) To make advances on current accounts, or grant loans for fixed periods on security of Government bonds, Treasury bills and other bonds and shares guaranteed by the Government.

The Bank is, in addition, entrusted with the management of Treasury receipts and disbursements. The amount of convertible notes issued by the Government by the end of the 14th year of Meiji (1881) was ¥118,000,000 and that issued by the national banks totalled ¥34,000,000, making an aggregate of ¥152,000,000. The specie reserve was less than one-tenth of this sum, being only ¥12,000,000. As to the currency and

banking systems prior to the establishment of the Bank of Japan, such systems in Japan were modelled after those in the United States and the standard unit of currency was a one yen gold coin, nearly equivalent in value to the American one-dollar coin. At the time, the Government not only issued notes, but invested national banks with authority to issue them. When, however, the Government gave permission for the circulation in the country of silver coins, which were minted and put in use for settlement of accounts in the export and import market, one-yen gold coins gradually became extinct, as a result of which the silver coin was made the actual standard currency, the gold standard existing in name only. Furthermore, an increase in the amount of notes issued by the Government and national banks to meet the ever-increasing national expenditure caused a large difference in the value between silver and paper money and gave rise to a rapid advance in prices and considerable excess of imports over exports, which had evil effects on the country's economy in manifold ways. The reason why the national banks were unable to adjust properly the devaluation of paper currency and prevent these unfavourable developments is to be found in the facts that they were carrying on a local business with small capital, the circulation of money was considerably clogged and money rates continued to advance. In fact, the country's economic circles were in a very critical condition and, consequently, the establishment of a central bank was eagerly advocated. In these circumstances, the then Minister of Finance Masayoshi Matsukata (later Prince) devised a plan for founding the Bank of Japan after the model of the central banking system in Belgium.

The objects in view were to facilitate monetary circulation, enlarge the financial resources of banks and companies, lower money rates and entrust to the central bank business looked after by the Ministry of Finance. The Bank of Japan regulations were published and Mr. Shigetoshi Yoshiwara, Vice-Minister of Finance, was appointed first Governor of the Bank in October, 1882. When the gold standard was adopted in 1897, the bank assisted the Government in carrying it into effect, and, during the Sino-Japanese, Russo-Japanese and World Wars, it exerted its efforts in raising war funds, floating national loans both at home and abroad, checking the outflow of specie and adjusting monetary circulation in this country. Besides, whenever a panic has visited Japan, it has saved many banks from difficulties and has led the way in stabilizing the financial situation. On the occasion of the great earthquake and fire of 1923, it took emergency measures and rendered its utmost endeavours to set the popular mind at ease by re-

moving disquietude and anxiety in Japanese financial circles. Thus the Bank displayed its abilities to the fullest extent in the days of unrest and confusion following the great catastrophe. That the loans made by the Bank went up as high as ¥853,000,000 at the end of 1923 was solely due to the fact that a considerable amount of money was advanced by it for relieving the effects of the calamity on the money market. Among the Governors of the Bank have been the late Baron Shinzen Matsuoka, the late Mr. Koichiro Kawada, the late Viscount Yataro Mishima, the late Baron Yanosuke Iwasaki, Mr. Korekiyo Takahashi, present Minister of Finance, Baron Tatsuo Yamamoto, present Home Minister, the late Mr. Junnosuke Inouye, twice Minister of Finance, Mr. Otobiko Ichiki, once Minister of Finance. The present Governor, Mr. Hisaakira Hijikata is serving his second term of office. The term of governorship is five years, the holder being appointed by the Government. Important figures for the Bank are:

End of	Authorized capital	Outstanding balance of note issue	Specie reserve	Deposits, including Government deposits	Outstanding loans
(In ¥1,000)					
1886	10,000	3,956	3,311	36,757	17,648
1896	30,000	180,336	60,370	6,695*	130,378
1905	30,000	312,790	115,595	473,049	248,055
1910	60,000	401,624	222,382	278,149	169,965
1914	60,000	385,589	218,237	115,654	142,515
1919	60,000	1,555,100	951,976	1,182,789	789,993
1921	60,000	1,546,546	1,245,574	958,941	428,856
1923	60,000	1,703,596	1,057,471	923,348	1,001,843
1926	60,000	1,560,708	1,058,131	575,471	646,159
1927	60,000	1,568,390	1,062,737	660,938	964,159
1928	60,000	1,739,096	1,061,636	475,413	908,832
1929	60,000	1,641,851	1,072,273	532,765	679,688
1930	60,000	1,436,295	825,998	456,763	779,128
1931	60,000	1,330,575	469,549	374,038	989,403
1932	60,000	1,425,159	462,870	337,326	—

In July, 1932, the fiduciary issue was increased from ¥120,000,000 to ¥1,000,000,000.

* The marked decrease was due to the large payments made by the Government on account of the Sino-Japanese War.

Yokohama Specie Bank (Yokohama Shokin Ginko)

The Yokohama Specie Bank was founded in 1880 with an authorized capital of ¥3,000,000 with the object of affording financial facilities in respect of the foreign trade of this country. Subsequently, its capital was increased several times and now stands at ¥100,000,000, all paid up by June, 1920. This bank heralded the semi-Government banks in Japan, being established two years before the founding of the Bank of Japan. The money market of Japan as regards foreign trade was almost monopolized by foreign banks such as the Oriental Bank, the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China, all having branches in Yokohama. Transactions in silver coins were handled almost exclusively by these foreign banks. A movement for restoring the national right and prestige was then gaining momentum among conservatives in Japan because of a rapid importation of western material civilization in this country. This movement, coupled with a silver absorption policy, spread throughout the country and this culminated in an announcement by the Government of a plan for the establishment of a bank for the exclusive handling of specie in Japan. Mr. Michita Nakamura, an influential businessman at that time, supported by Mr. Yukichi Fukuzawa, founder of Keio University, successfully persuaded the then Finance Minister Okuma to establish the Yokohama Specie Bank. It was planned that the bank should be capitalized at ¥3,000,000 silver, of which ¥1,000,000 was to be subscribed by the Government and the remaining ¥2,000,000 offered for public subscription. The shares were

over-subscribed to the amount of ¥500,000. The business carried on by the bank consists of:

- (1) Dealing in foreign exchange;
- (2) Dealing in domestic exchange;
- (3) Making loans;
- (4) Receiving deposits of money and the custody of valuable articles;
- (5) The discounting and collection of bills of exchange, promissory notes, and other securities; and
- (6) The exchange of coins.

The bank also may buy or sell public bonds, gold and silver bullion, and foreign coins, if so required by the condition of its business. It may also be entrusted with matters relating to foreign loans and with the management of public money for international account. The bank has its head office in Yokohama and 36 branches and 8 sub-branches throughout the world. Its president is Mr. Kenji Kodama. During the Russo-Japanese War the bank undertook a very great deal of the work connected with the floating of foreign loans for the Government, such as the 6 per cent. sterling bond issue of £12,000,000 and the first and second 4½ per cent. sterling bond issues of £30,000,000 each. Mr. Korekiyo Takahashi, present Finance Minister, when he was vice-president of the bank, made strenuous efforts in concluding these foreign loans. He then visited America and Europe and succeeded in concluding loans with Mr. Jacob Schiff of Kuhn, Loeb and Company, the Rothschilds and other foreign capitalists. The bank also played an important part in Japan's economic activities in China after the Russo-Japanese War. Japan joined the four-Power Consortium consisting of Great Britain, Germany, France and the United States in 1912. In 1913 the Yokohama Specie Bank representing Japanese syndicate banks concluded

ed a 5 per cent. loan agreement for China as member of the six-Power Consortium (Japan and Russia added). During the World War the Japanese syndicate banks lent money to Russia, Great Britain and France and underwrote bonds of these Governments. At America's initiative

a new consortium was organized by Japan, Great Britain, America and France in 1919 and the Yokohama Specie Bank represented Japan in the consortium. Figures concerning the capitalization and business status of the bank are found in the following table:

Year	Authorized capital	Balance of deposits	Outstanding loans (In ¥1,000)	Net profit	Rate of dividend
1922	100,000	458,324	255,721	20,169	12 % p.a.
1923	"	482,124	365,068	17,605	12 "
1924	"	521,117	321,677	18,298	12 "
1925	"	555,404	312,902	18,388	12 "
1926	"	489,607	298,942	18,356	10 "
1927	"	508,096	334,895	18,081	10 "
1928	"	492,781	291,162	33,628	10 "
1929	"	646,800	344,700	36,153	13 "
1930	"	654,146	367,627	26,290	10 "
1931	"	647,761	303,185	22,815	10 "
1932	"	644,053	304,924	13,432	10 "

The Hypothec Bank of Japan (Nippon Kwangyo Ginko)

The Hypothec Bank of Japan was created in 1897 for the purpose of making long-term loans at a low interest rate on mortgage of immovable property. Its authorized capital which was ¥40,000,000 till 1920 has been increased very often following mergers with 22 agricultural and industrial banks, so it now stands at ¥108,750,000, of which ¥84,626,063 is paid up. The business of this bank is mainly as follows:

(1) To make on mortgage of immovable property loans redeemable by annual instalments within a period not exceeding 50 years, or at a fixed time within a period not exceeding five years, provided in the latter case the total amount of such loans does not exceed twice the total amount of the paid-up capital and reserve fund. In the case, however, of loans for the fishery industry, they may be made on mortgage of fishery rights. Railway and tramway foundations shall be regarded as immovable property. The amount

of loans made on security of residential land or buildings, other than sites or buildings belonging to factory foundations and factories, which lie in localities where the City Organization Law is in force or on city land to be designated by an Imperial Ordinance or the amount of loans made on pledge of claims secured by these residential land and buildings (including real estate mortgage certificates), and the amount of loans made under the City Planning Law to land re-arrangement associations or federations of such associations shall not exceed one half of the total amount of the paid-up capital and mortgage debentures issued;

(2) To make loans without security to prefectures, cities, towns, villages and other public corporations organized by law;

(3) To make loans without security, redeemable at a fixed time or by annual instalments in the case of the adjustment of arable land under the law for such adjustments;

(4) To make loans without security, redeemable at a fixed time

or by annual instalments to industrial, staple export manufacturers, fishery, forestry, stock-breeding or building associations, or federations of such associations;

(5) To make without security loans redeemable at a fixed time within a period not exceeding five years or by mutual instalments within a period not exceeding 10 years to a party of at least 10 persons, combined with joint liability, who are engaged in agriculture, industry or fishery in any prefecture where no Agricultural and Industrial Bank exists;

(6) To make without any security loans redeemable at a fixed time or by annual instalments to land re-arrangement associations or federations of such associations in case they apply to borrow for the re-arrangement of land to be undertaken under the City Planning Law or in case they, combined with joint liability, apply to borrow for the same purpose;

(7) With money obtained by the issue of hypothec debentures with premium, to make loans on security of cultivated fields, salt-pans, forests, pastures, fish-farms or fishery rights or on pledge of claims secured by these items (including real estate mortgage certificates);

(8) To take up debentures issued by the Agricultural and Industrial Banks, Hokkaido Colonization Bank, Central Bank for Co-operative Societies and Chosen Industrial Bank;

(9) To make loans redeemable by annual instalments on security of the claim on loans redeemable by annual instalments that are issued by these agricultural and industrial banks and of the mortgage in security for such loans;

(10) To make on pledge of claims secured by real estate (including real estate mortgage certifi-

ates) loans redeemable at a fixed time within a period not exceeding five years, and to buy and sell real estate mortgage certificates;

(11) To take deposits and take custody of gold and silver bullion and negotiable paper, provided that the total amount of deposits other than the fixed deposits and deposits of prefectures or cities shall not exceed the total amount of the paid-up capital.

Finally, the bank may employ the deposits and the money lying idle in the course of its business in the following manner only:

(a) To purchase with a sum equal to not less than one-fourth of the deposits national bonds or negotiable paper approved by the Minister of Finance or to deposit it in the Deposits Bureau of the Ministry of Finance or in banks approved by the Minister of Finance;

(b) To discount bills or make short-term loans on security of the above-mentioned negotiable paper or agricultural or marine products or industrial manufactures;

(c) To discount bills or grant overdrafts to industrial associations, staple exports manufacturers' associations, fishery associations or federations of such associations;

(d) To make short-term loans to public corporations;

(e) To make short-term loans without security to a party of at least ten persons, combined under joint liability, who are engaged in agriculture, industry or fishery in any prefecture, where no Agricultural and Industrial Bank exists; and

(f) To use fixed deposits as funds for making on security of real estate or fishery rights or on pledge of claims secured by real estate (including real estate mortgage certificates) loans redeemable at a fixed time within a period not exceeding five years.

The Hypothec Bank is authorized, when at least one-fourth of its nominal capital has been paid up, to issue mortgage debentures to an amount not exceeding 15 times its paid-up capital, provided the amount of such debentures shall not exceed the total amount of outstanding loans redeemable by annual instalments or at a fixed time, and the debentures of the Agricultural and Industrial Banks, Hokkaido Colonization Bank, Central Bank for Co-operative Societies and Chosen Industrial Bank in hand. These mort-

gage debentures must be redeemed by means of drawings taking place at least twice a year in amounts proportionate to the amount to be redeemed in the same year of the loans redeemable by annual instalments and the debentures of the above-mentioned banks in hand. In case any loans redeemable by annual instalments are repaid before they are due, the bank may with the amount so paid purchase and redeem its mortgage debentures. The present president of the bank is Dr. Eiichi Baba.

ASSETS AND LIABILITIES OF THE HYPOTHEC BANK OF JAPAN

ASSETS				
Year	Loans for annual redemption	Guaranteed loans for annual redemption (In ¥ 1,000)	Loans for redemption within a fixed period	Total, including others
1897	1,376	—	—	1,376
1912	51,934	100,210	3,762	159,324
1915	70,408	143,257	3,567	220,041
1917	87,291	120,871	14,634	228,542
1921	197,103	124,112	35,188	379,815
1924	471,456	113,816	78,023	680,647
1926	585,748	113,580	59,337	789,479
1927	620,967	104,900	53,634	829,479
1928	710,400	96,111	62,742	879,807
1929	793,815	67,525	54,595	929,895
1930	940,400	46,951	74,691	1,082,957
1931	964,879	37,429	75,441	1,105,187
1932	—	—	—	1,152,463

LIABILITIES				
Year	Issue of debentures	Fixed deposits (In ¥ 1,000)	Special current deposits	Total deposits, including others
1897	—	—	—	—
1912	160,292	464	248	1,479
1915	220,203	2,872	859	5,336
1917	220,620	3,487	1,097	6,602
1921	402,852	11,299	5,028	33,738
1924	623,975	27,908	12,261	54,195
1926	746,640	32,770	14,071	59,088
1927	766,995	43,649	23,565	82,423
1928	814,697	52,436	22,339	89,143
1929	833,938	56,151	23,378	92,314
1931	977,002	79,572	34,007	123,392
1932	995,180	—	—	149,516

Agricultural and Industrial Banks
(Noko Ginko)

The Agricultural and Industrial Banks are prefectural financial in-

stitutions for accommodating provincials with long-term loans at a low rate of interest on security of immovable property and, being established in every prefecture, are most

useful through their connection with their central institution, the Hypothec Bank of Japan. But with a view to affording further financial facilities to local districts, the Law concerning the Amalgamation of the Hypothec Bank and the Agricultural and Industrial Banks was enacted in 1921. By virtue of this Law the former was allowed to take over the business of the latter on condition that it established its branches in places where head offices and branches of the latter were in existence. The Agricultural and Industrial Banks are joint-stock companies, each having a capital of not less than ¥200,000. Each of these banks has as a general rule for its exclusive business district a prefecture. The business of the Agricultural and Industrial Banks is principally the same as that of the Hypothec Bank of Japan. These banks may become agents for the

Hypothec Bank or other Agricultural and Industrial Banks. When acting as agents for loans made by the Hypothec Bank, Agricultural and Industrial Banks may guarantee to the bank the solvency of the debtors. They may take charge of the receipt and disbursement of the funds of prefectures or cities. These banks are authorized, when at least one-fourth of the nominal capital has been paid up, to issue agricultural and industrial debentures to an amount not exceeding fifteen times the paid-up capital. Such debentures, however, must not exceed the amount remaining after the deduction of the amount of pledges given for money borrowed from the Hypothec Bank from the total amount of outstanding loans redeemable by annual instalments and at a fixed time. There were 19 of these banks in existence throughout the country at the end of 1932.

ASSETS

Year	Loans on annual instalment	Loans for fixed period (In ¥1,000)	Short-term loans	Total, including others
1921	284,156	53,531	445	348,132
1922	290,153	51,857	448	342,458
1923	326,840	54,762	1,757	383,359
1924	371,192	53,509	3,364	428,065
1925	418,095	53,946	8,790	480,831
1926	474,498	54,501	2,415	531,414
1927	521,952	79,302	3,277	604,531
1928	573,432	85,845	3,197	662,474
1929	612,665	78,992	3,810	695,467
1930	562,019	74,486	2,320	638,825
1931	569,102	77,595	2,585	649,282
1932	—	—	—	672,205

LIABILITIES

Year	Debentures issued	Public money deposited (In ¥1,000)	Fixed deposits	Total, including others
1921	183,233	44,418	58,647	186,298
1922	195,620	31,587	61,697	188,904
1923	236,072	28,013	68,237	232,322
1924	277,775	25,395	77,109	280,279
1925	336,072	25,311	84,537	345,920
1926	377,775	27,701	88,859	394,335
1927	442,953	16,036	97,093	456,082
1928	468,889	18,288	119,486	506,663
1929	506,408	14,629	111,604	532,641

	Debentures issued	Public money deposited (In ¥1,000)	Fixed deposits	Total, including others
1930	469,796	12,076	101,059	147,150
1931	484,552	10,765	102,426	146,029
1932	506,129	13,490	—	154,382

The Industrial Bank of Japan (Nippon Kogyo Ginko)

The Industrial Bank of Japan was founded in April, 1902. Its authorized capital is ¥50,000,000 fully paid up. Its business is as follows:

- (1) To make loans on pledges of national and prefectural bonds and company debentures and shares;
- (2) To subscribe for or underwrite national and prefectural bonds and company debentures;
- (3) To receive deposits of money and accept articles of value for custody;
- (4) To engage in trust business for mortgage debentures;
- (5) To discount bills;
- (6) To engage in the business of bills of exchange and documentary drafts;
- (7) To make loans on security of foundations created as subscribed by law;
- (8) To make on mortgage of ships or ships under construction loans which shall be redeemable by annual instalments within a period not exceeding 15 years, or at a fixed time within a period not exceeding five years;
- (9) To make loans on security of shipbuilding materials or equipment;
- (10) To subscribe for or take up shares which have been approved by the Minister of State concerned;
- (11) To subscribe for national or provincial bonds and company debentures, or to act as agent for receiving these instalments payable by general subscribers or paying principal and interest and dividends;
- (12) To make call loans for a

fixed term on security of sites and buildings belonging to factories or of residential land or buildings lying in localities where the City Organization Law is in force or in city land to be designated by Imperial Ordinance, provided, however, that the total amount of such loans shall not exceed two-thirds of the amount of paid-up capital; and

(13) To purchase national or provincial loans or company debentures and shares or gold and silver bullion with available money which the bank may employ for the purpose.

The bank is authorized to issue debentures to an amount not exceeding ten times its paid-up capital, provided, however, that the amount of such debentures shall not exceed the total amount of outstanding loans, discounted bills, and national or provincial bonds, company debentures, shares and gold and silver bullion in hand. Only in the event of funds being required for enterprises for public benefit undertaken in a foreign country, the bank may, with approval of the Minister of Finance, issue debentures irrespective of the above-mentioned restriction. Loans to shipping was started by the bank during the World War. In 1917 the Bank Act was revised to meet the loans to shipping, but the business resulted unfavourably with a large amount of loans tied up. As regards the import of foreign capital, which is one of its principal objects, the bank sold the 5 per cent. national bonds in London in 1902 and issued shares of its increased capitalization to the amount of ¥7,500,000

in 1906 in London. British and American capitalists subscribed for the shares and this brought the bank's position closer to international finance. The bank was successful in issuing bonds for Tokyo, Osaka and Yokohama cities, South Manchuria Railway debentures and Industrial debentures in foreign markets after the Russo-Japanese War. It also played an important part in overseas investment. The first of this kind was that in public utilities and loans to private enterprises in Korea in 1906. The bank also became active in investment in China, not only making direct investment but also making investments indirectly through the Toa Industrial Development Company, Chunichi Industrial Development Company and Chukwa Exchange Bank. One of the most notable investments of the bank was its "political" loans to China in 1918, during the time of the Terauchi Cabinet. These loans were concluded in conjunction with Bank of Chosen and Bank of Taiwan. For this purpose the Bank issued debentures to the amount of ¥100,000,000 under Government guarantee, but the payment of principal as well as interest was not fulfilled by China and this dealt a hard blow to the bank's business. Loans also were made to Japan's industrial developments in the South Seas. The bank underwrote loans for the Russian and French Governments and also subscribed for shares of the Franco-Japanese Bank and Chukwa Exchange Bank, Peiping, in connection with the establishment of these institutions. The bank features in engaging in trust business in mortgage debentures. Through financial accommodation of the Deposits Bureau of the Ministry of Finance, the bank lent, for industrial rehabilitation, the first-aid loans to districts devastated by the Kanto earth-

quake and fire. Mr. Toyotaro Yuki is president.

Year	ASSETS		
	Loans for a fixed period (In ¥ 1,000)	Discount bills	Others and total
1902	1,169	—	1,169
1912	23,513	16,357	40,038
1920	90,020	206,243	299,644
1925	201,342	80,870	282,510
1929	260,523	72,568	333,279
1930	275,092	134,470	407,984
1931	319,936	118,168	438,652
1932	—	—	462,593

Year	LIABILITIES	
	Debentures issued (In ¥ 1,000)	Balance of total, excluding Government and public deposits
1902	3,000	1,108
1912	55,408	3,602
1920	307,450	34,806
1925	286,260	64,411
1929	278,574	44,987
1930	333,302	46,858
1931	343,329	52,078
1932	404,040	56,046

The Hokkaido Colonization Bank (Hokkaido Takushoku Ginko)

The Hokkaido Colonization Bank was established with the object of supplying capital for enterprises for colonizing and developing Hokkaido and Karafuto (the Japanese half of Saghalien), and especially for the purpose of facilitating the supply of capital by making loans on security of agricultural products and company shares and debentures as well as making long-term loans at low interest rate on immovable property. The bank had at first a capital of ¥3,000,000, but on April 23, 1922, it was increased to ¥20,000,000, of which ¥12,500,000 has been paid up. The business scope is very much similar to that of the Hypothec Bank of Japan and the Agricultural and Industrial Banks. The bank is authorized to issue debentures of not less than ten yen face value to an

amount not exceeding 15 times its paid-up capital. Such debentures, however, must not exceed the total amount outstanding of the loans which are redeemable by annual instalments or at a fixed date, and when debentures of not more than twenty yen face value are to be

issued by the bank, such issue may also be effected by sale. These debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount of the said loans to be redeemed in the same year. Assets and liabilities were:

Year	Loans for a fixed period	Assets		Liabilities	
		Others and total (In ¥ 1,000)	Debentures issued	Deposits and total	
1902	1,250	1,670	—	307	
1912	17,075	19,925	14,829	5,982	
1920	46,083	90,956	58,690	35,162	
1925	96,297	166,280	106,474	46,375	
1929	112,340	177,978	96,938	73,571	
1930	117,437	187,182	102,753	75,055	
1931	119,360	187,101	102,716	69,758	
1932	—	211,805	124,232	79,467	

The Bank of Taiwan (Taiwan Ginko)

The Bank of Taiwan was founded in September, 1899, four years after Japan's occupation of Formosa, as the result of the Sino-Japanese War. It was capitalized at ¥5,000,000, when it opened. The bank was brought into being largely through efforts of the then Minister of Finance Masayoshi Matsukata, and was given the privilege of issuing notes for circulation in the island. In 1910 its capital was increased to ¥10,000,000, which was doubly increased in 1918. The bank served as the most influential financing organ not only for the island's principal industries such as rice, sugar, camphor, tea, coal and gold, but contributed a great deal toward Japanese industrial development in South Seas countries and business

activities in South China. Its reckless business expansion during the World War resulted in a tie-up of a large amount of loans, when the financial panic of 1920 took place. After 1922 the business sphere was narrowed. The great earthquake and fire of 1923 caused the collection of loans difficult. The bank wrote off ¥28,600,000 of its bad assets for the first half of 1925 and partially made good the loss by means of its reserves. In addition, it carried out a reduction of capital by ¥15,000,000. This was not enough. A bill providing for financial aid to the bank was adopted by the Diet and, consequently, the bank was accorded financial accommodation by the Bank of Japan. In November of the same year it further cut its capital by ¥30,000,000. Readjustment has been progressing since then. Mr. Shigeru Shimada is its president.

CONDITION OF THE BANK OF TAIWAN AS COMPARED WITH 1927

(June 30, each year)

	LIABILITIES			
	(In ¥ 1,000)	1927	1928	1932
Capital subscribed	45,000	15,000	15,000	15,000
Reserve funds	1,900	—	—	1,500

	1927	1928	1932
Notes in circulation	43,500	47,300	43,400
Deposits, etc.	225,900	230,000	243,800
Bills payable	150,400	60,800	30,800
Bills rediscounted	272,400	133,600	82,100
Exchange sold	300	300	—
Acceptances	75,900	35,600	5,600
Due to correspondents	1,800	1,900	1,600
Suspense account	14,900	13,900	—
Unclaimed dividend	62	45	31
Profit for last half year	—	—	406*
Total liabilities	832,100	538,400	433,000
ASSETS			
Cash in hand	8,200	8,200	5,900
Cash at banks	10,900	8,300	7,700
Bullion	15,200	14,600	14,100
Bills discounted, loans and overdrafts	546,700	291,400	261,400
Interest bills, bills bought and export advances	49,900	53,500	34,700
Acceptances as per contra.	75,900	35,600	5,600
Government bonds, etc.	77,100	109,900	91,900
Due from correspondents	3,400	2,000	1,000
Bank premises and real estate, etc.	9,600	9,400	8,800
Capital uncalled	5,600	1,900	1,900
Net loss	28,200	1,400	—
Total assets	832,100	538,400	433,000

The Bank of Chosen (Chosen Ginko)

The Bank of Chosen was established in March, 1911, by virtue of the Bank of Chosen Act issued by the Government following Korea's annexation to Japan in April, 1910. The bank took over the assets and liabilities of the Bank of Korea, which was founded in November, 1909, following the transfer of the assets and liabilities of the Dai-ichi (First) Bank. The bank is authorized to issue bank notes. In 1917 the bank's notes were given sole right of legal tender in the Kwantung Leased Territory and along the South Manchuria Railway, and the limit of its guaranteed note issue was increased to ¥50,000,000. The bank greatly increased its activities during the World War and expanded its business sphere to Japan proper, where it commenced foreign exchange business. The financial reaction follow-

ing the World War caused it to narrow its business activities. It wrote off frozen assets to the amount of ¥36,000,000 for the first half of 1925 and halved its capital to ¥40,000,000. The bank borrowed a large amount of money from the Bank of Japan after 1920 on 10 years' repayment. Through revision of the Bank of Chosen Act in 1924 the right of control of the bank was transferred from the Governor-General of Korea to the Minister of Finance. The bank was unable to collect call loans in connection with the 1927 financial panic, but the extent of harm received was not so severe as that of the Bank of Taiwan.

Year	Assets (In ¥1,000)	Liabilities
1926	303,407	34,110
1927	252,983	83,796
1928	254,134	44,556
1929	269,204	38,789
1930	267,054	48,961
1931	295,779	52,744

* Includes ¥ 67,000 brought forward.

Financial Panic of 1927

The financial panic that overtook Japan for about a month from the middle of March, 1927, was an unprecedented affair in Japan's financial circles. This incident brought about a revolutionary change in the Japanese financial system and a great banking readjustment followed it during the next year. The financial panic may be divided into three stages. The first period extended from the closing of the Tokyo Watanabé Bank and its sister institution, the Akaji Savings Bank on March 15 to March 23, when the so-called earthquake and fire readjustment bills were adopted by the Diet. The second period was marked by the progress of financial uncertainty spreading over all Japan and lasted from the time of the adoption of the bills to the middle of April. The third period was featured by the opposition raised by the Privy Council against an urgent Imperial Ordinance for the relief of the Bank of Taiwan, when it was submitted to the Council, and the subsequent development of the situation was one of uncertainty in which the financial condition went from bad to worse until, on April 22, a moratorium was enforced throughout the country, to last for 3 weeks.

The Reaction of 1920 The financial panic had sundry causes before it really came to a head. When the financial reaction of 1920 overtook Japan, the country stood in need of carrying out thoroughgoing readjustments. Comparing prices of commodities in 1914 with those in 1920, the average index number was 338 on the basis of 100 taken in 1914. Soon after the financial panic the index number fell back to 280 and this declining trend lasted until the subsequent low point of 180 was reached just before the 1927 panic.

This heavy drop of prices dealt a severe blow to economic circles. By the drop in the value of mortgages, banks were given no little blow. Refunding of loans advanced became difficult and this caused many banks to incur losses. Following the 1920 reaction no readjustment was carried out.

The Quake-fire The Kwanto earthquake and fire of 1923 aggrandized the losses of banks. Bankers realized that thoroughgoing readjustment was unavoidable, but they lacked enough courage to carry out the reduction of capital or take other drastic steps, fearing loss of public credit. The shiftlessness of the bankers as the economic condition grew worse, aggravated the situation. When the relief bills, that is, the Earthquake and Fire Bill, Readjustment Bill and the Earthquake and Fire Loss Indemnification Bond Bill, were submitted to the 52nd session of the Imperial Diet on January 26, 1927, they provoked a great discussion in the Diet. In debating these bills, interpellations and answers exchanged on the Diet floor went too far, exposing in some cases the weak status of many banks, but on the whole this Diet debate allayed the uneasiness of depositors regarding the credit of the banks. Through a slip of the tongue on the part of Mr. Naoharu Kataoka, the then Minister of Finance, irregularities of the Tokyo Watanabé Bank were exposed to the Diet on March 14. The bank had made a large amount of loans to various business enterprises in which directors of the bank were interested, and the refunding of loans had become difficult. On March 15, the bank had to close its doors and it was similarly followed by its subsidiary institution, the Akaji Savings Bank. This proved an incident leading to the outburst of the great financial panic

that ensued. Damaging rumours ran fast and runs on banks increased. On April 19, the Nakai Bank, Tokyo, suspended its business, and on April 22, four second-class ordinary banks in Tokyo and Yokohama, such as the Soda, Eighty-fourth, Nakazawa and Murai banks, closed their doors and announced business readjustments. The total amount of deposits of these six banks reached about ¥200,000,000. Because of the fact that depositors were mostly medium-sized business shops of Tokyo, the extent of damage was fairly wide. Inter-bank transactions were carried on only with great caution and call loan deals were nearly suspended. Instead, many banks asked for loans from the Bank of Japan. As the result of negotiations between representatives of large ordinary banks and the Bank of Japan, the latter finally decided to make emergency loan advances to relieve the situation. A joint statement of the Minister of Finance, Vice-Minister of Finance, and Governor of the Bank of Japan was issued on April 22, declaring that financial stabilization would soon be attained. The two post-earthquake and fire readjustment bills were meanwhile adopted by the House of Peers.

The Bank of Taiwan The panic by that time was mostly confined to banks in Tokyo and Yokohama, because of the fact that it was directly caused by earthquake bills. Effects on the stock market were not very severe, except for shares connected with the closed banks. However, the miserable plight in which one of the special banks, the Bank of Taiwan, found itself in April, intensified the financial uneasiness. The disposal of earthquake bills held by the Bank of Taiwan was made an object of scathing criticism by the public. In

accordance with a decision of the House of Peers that a Bank of Taiwan Investigation Commission should be organized, the Wakatsuki Cabinet appointed the members. The first thing done by the commission was to instruct the bank to suspend dealings with Suzuki Shoten, Kobé, on which responsibility mostly rested for the bank's present awkward predicament. New loan making to this great trading concern in Kobé was entirely suspended by the bank. This gave a great shock to Japanese economic circles, because this concern carried on business in a wide sphere, having more than 60 large and small business houses under its control. To the Bank of Taiwan alone the Suzuki's owed the enormous amount of ¥350,000,000. It was greatly feared by the public that the prohibition of new loans to the Suzukis might mean the eventual failure of the Bank of Taiwan. All banks making call loans to the bank began withdrawing loans and this was followed by an active run of depositors on the bank. No matter how strenuously the Government explained that the bank was quite safe it was not heeded by depositors. Business became more difficult daily and the situation forced the bank to ask the Government and Bank of Japan for relief. During the intervening period runs on banks in a mild form spread all over the country. The financial uncertainty grew steadily intense and this resulted in a sudden outburst of great confusion on the stock exchanges. When the Sixty-fifth Bank of Kobé, in which Suzuki Shoten was heavily interested, announced business suspension on April 8, the stock markets of Tokyo, Osaka and other cities were literally thrown into a chaotic condition.

The Cabinet Resigns The aggravation of Sino-Soviet diplomatic rela-

tions and a clash of Japanese and Chinese soldiers in Shanghai brought further uneasiness to a turbulent market. The Government was very much concerned that the Bank of Taiwan situation had increased to such serious proportions and debated on relief measures. In consequence, an emergency loan advance by the Bank of Japan and the consequent issue of an urgent Imperial Ordinance for indemnification against loss for the Bank of Japan were approved at an extraordinary Cabinet meeting of April 13. The urgent Imperial Ordinance was submitted to the Privy Council on April 15. The bill provided for the Bank of Japan indemnification against loss to the amount of ¥200,000,000 against its unsecured loans to the Bank of Taiwan. A vigorous opposition was raised by the Privy Council against the urgent Ordinance on the reason that the action of submitting such an important bill within less than only two weeks after the closing of the Diet was indiscrete and irresponsible. At a plenary session of the Council on April 17 the bill was shelved. The Wakatsuki Cabinet had to resign as the result. The situation threw financial circles into utter chaos. The Bank of Japan and other large banks could render no more relief to the bank. Eventually the bank closed the doors of its head office and all branches on April 18. On the same day the Omi Bank, one of the influential banks of Osaka, announced the closing of its doors. Financial confusion reached its height. Runs on banks spread throughout the country. One of the Big Five ordinary banks of Tokyo, the Jugo (Fifteenth) Bank, closed its doors on April 21. Foreseeing further spread of panic, all banks in Tokyo voluntarily closed their doors for two days, on April 22 and 23, to prepare against the

runs.

A Moratorium Proclaimed By this time the Tanaka Cabinet had replaced the Wakatsuki Cabinet. A three weeks' Moratorium was proclaimed by the new Cabinet and the urgent Imperial Ordinance was adopted by the Cabinet on April 22. During the time that the moratorium was in force maximum payments were limited to ¥500 per day. An extraordinary Diet session opened for five days commencing May 3 to decide on relief measures. The Bank of Japan Special Loan Bill and Taiwan Financing Organ Relief Bill were submitted to it by the Government. This pacified the turbulent popular mind and the great financial panic came to a halt on April 22 with the enactment of the moratorium.

At that time the total deposits held by ordinary banks were estimated at ¥9,000,000,000, but it was unknown how much deposits were withdrawn by the public. Banks closed in connection with the panic were 30, of which 10 were in Tokyo, 3 in Osaka and 17 in other districts. The total deposits in these closed banks were ¥770,000,000 at the end of 1926. Loans of the Bank of Japan, which were about ¥200,000,000 about the middle of March, increased to more than ¥2,000,000,000 on April 20. The highest amount of note issue of the Bank of Japan during the panic was recorded at ¥2,600,000,000. The yen-dollar exchange rate fell back to \$46¼ during the crisis. The two relief bills were passed by the Diet on May 8. The bills provided for loss indemnification to the amount of ¥500,000,000 for the Bank of Japan in its financial relief in Japan proper and ¥200,000,000 for the same bank in its relief measures to financial organizations in Formosa. The Bank of Taiwan resumed business on May

9. In both cases the Bank of Japan had to grant loans and the Government guaranteed its loss against these to the maximum amount of ¥700,000,000. The special loans made by the Bank of Japan before the maturity of the one year term of the guarantee, that is, May 8, 1928, amounted to ¥879,000,000, of which ¥687,000,000 was lent to banks in Japan proper and ¥191,000,000 to banks in Formosa. Altogether 90 banks received special loans from the Bank.

Trust Business

It was about 1906 that companies bearing the title of trust companies were first established in Japan, and, since that time the number of these institutions has steadily increased. This has been especially due to the unusual economic activity resulting from the World War and promotion of various new enterprises. The function of a trust company is to hold, use or dispose of property for persons who have not ability or time to attend to these matters. Therefore, the sound development of this particular business agency will contribute greatly to social and economic progress, but some trust companies did not rest upon a sound basis and transact business that could be called trust business in a strict sense. Others were engaged in business that did not differ much from banking. If this state had been left unremedied, it might not only have caused unforeseen losses to the beneficiaries and other persons, but it might also have had a baneful influence upon economic and social conditions. The idea of "trust" was not clearly defined in Japanese law before 1923. The term "trust business" had been used in the Business Tax Law, the Secured Debenture Trust Law and certain laws governing special banks,

but no definite provisions existed as to the exact meaning of the term or to govern resulting rights and obligations. In view of the above-stated conditions in the trust business, the Government laid the projected Trust Law and Trust Business Law before the 45th session of the Imperial Diet and secured its approval. These two laws were effective on and after January 1, 1923. The gist of the Trust Business Law is as follows:

(1) Trust business can be carried on only by a joint-stock company whose capital is one million yen or more and which has obtained a licence from the Minister of Finance.

(2) Though the proper function of trust companies is not definitely laid down in law, it is clear that they are expected to act as trustees for the benefit of other parties, i. e., they must, with the intention of faithful managers, administer or dispose of the right of property established or transferred by the beneficiary for the benefit of the beneficiary or a third party. The properties that a trust company can accept in trust are limited to money, negotiable paper, monetary claims, movables, land and things thereon, and superficies and leases of lands.

(3) The method of administering the trust property is specified in the Imperial Ordinance issued according to the provisions of the Trust Law.

(4) Business which trust companies can carry on as incidental to their main business are limited to the following:

(a) Reception of deposits for safe custody;

(b) Giving guarantees for debts;

(c) Acting as an intermediary in the sale of immovable properties;

(d) Acting as an intermediary in the loans of either money or immovable properties;

(e) Flotation of bonds, debentures or stocks, and receipts of payment from the subscribers;

(f) Payment of principal and interest or dividends of bonds, debentures or stocks;

(g) Execution of a will concerning property;

(h) Auditing;

(i) Acting as agents for the following matters: Acquisition or disposition of properties; Acquisition and liquidation of properties; Collection of claims; Performance of obligations.

Of the above, the guaranteeing of debts is subject to necessary limitation to be specified by ordinance.

(5) Trust companies are forbidden to engage in any business other than those mentioned above, excepting business connected with secured debentures.

(6) Trust companies must in conformity with the provisions of ordinance, deposit national loan bonds of not less than one-tenth of their capital as security, and beneficiaries are entitled to preferential rights as regards the national loan bonds thus deposited by trust companies. The rate of legal reserve fund has also been increased, while a certain limit is to be observed by the companies in using their own funds for the purpose of investment. These, together with other provisions for control, are intended to protect the

interest of beneficiaries, at the same time preventing the companies from possible mismanagement.

(7) As stated in (5) the companies carrying on general trust business can also engage in similar business connected with secured debentures. Consequently, a revision was effected in this respect in the Secured Debenture Trust Law. Ordinary banks were formerly disqualified from carrying on a general trust business, but this privilege was allowed to the Bank of Taiwan, Industrial Bank of Japan and Hokkaido Colonization Bank. It being deemed necessary to confine the operation of these special banks in the particular line to business connected with secured debentures only, necessary revisions have been made in the laws relating to these banks.

Trust companies established under the provisions of the above-mentioned trust laws numbered 37 and had an aggregate nominal capital of ¥288,500,000 at the end of December, 1931. Before the enactment of the law there were about 500 "trust" companies, most of which were eliminated with the enactment. About 37 trust companies are carrying on business, and several of them, such as the Mitsui, Mitsubishi, Yasuda and Sumitomo trust companies, are run by Japan's wealthy families. Details concerning the trust companies in this country are:

End of Nov.	No. of Companies	Authorized capital (In ¥1,000)	Paid capital	Net profit	Dividend
1926	33	230,800	67,225	8,250	2,719
1927	39	312,800	88,425	10,623	2,287
1928	37	333,500	92,400	14,840	2,336
1929	37	333,500	92,700	14,598	2,385
1930	37	293,500	82,700	14,700	3,295
1931	37	288,500	81,450	14,856	3,387

Mutual Loan Companies (Mujin Kaisha)

In addition to the banking insti-

tutions, there are at present mutual loan companies (Mujin Kaisha), which are credit establishments peculiar to Japan and are based on

mutual credit among the middle and lower classes of people. Mutual credit societies have existed in Japan since olden times. The Mutual Loan Society Law was promulgated in June, 1915, whereby the mutual loan societies acquired a legal standing. In order, however, to enable these societies to perform the function of a financial institution for lower classes and to extend their business operations, fundamental amendments were made in the law in 1931. According to the provisions of the Mutual Loan Company Law, put into effect on and after July 1, 1931, the business of the companies is to make the subscribers pay money in instalments during a fixed period and then to distribute it, in lots, among the subscribers, by drawings, bid-dings or some similar means, the

number of such lots and the sum of money to be thus distributed being previously fixed. Each company must have a nominal capital of more than ¥30,000 and a paid-up capital of more than ¥15,000. No company is allowed to carry on this kind of business without permission of the Minister of Finance. Those so engaged are prohibited from carrying on any other business at the same time and are under obligation to present business reports to the Government. Restrictions also are put on the use of business funds. At the end of 1931 there were 264 Mujin companies with an aggregate of ¥36,121,000 in authorized capital and ¥17,540,135 in paid-up capital. Details bearing upon the status of these companies are found in the following table:

ASSETS				
Year	Unpaid capital	Money yet to be paid in instalments (In ¥1,000)	Loans	Total, including others
1916	8,020	1,875	4,488	13,783
1917	4,782	2,928	5,218	18,261
1918	5,635	4,876	4,003	21,496
1919	6,080	6,575	4,458	25,562
1920	6,329	8,676	5,525	29,762
1921	3,115	5,855	3,569	16,459
1922	5,792	11,991	8,866	34,286
1923	6,761	14,635	13,468	44,810
1924	10,638	20,847	14,389	62,012
1925	12,772	28,485	19,351	78,237
1926	14,835	34,668	21,899	89,600
1927	17,083	38,437	22,275	97,473
1928	18,719	42,634	25,226	111,342
1929	18,214	47,745	31,789	129,279
1930	18,580	56,512	36,769	149,162

LIABILITIES				
Year	Authorized capital	Reserves (In ¥1,000)	Net profit	Total, including others
1916	6,131	278	142	10,783
1917	7,558	373	177	18,261
1918	9,304	527	211	21,496
1919	9,989	983	249	25,562
1920	10,796	1,076	387	29,762
1922	10,237	1,026	621	34,286
1924	18,743	2,014	1,092	62,012
1926	26,042	5,028	1,708	89,600
1928	33,289	5,820	1,887	111,312
1929	34,372	6,713	2,154	129,279
1930	36,121	7,868	2,193	149,162

Co-operative Credit Societies

Credit Associations acquired a legal standing under a new system as defined by the so-called Co-operative Association Law, promulgated in March, 1900. The business of these associations is to lend money to their members in order to better their economic conditions and to employ their savings. By virtue of the revision of the law in July, 1917, the business of the Credit Associations has been expanded and they may use the savings of the families of their members, public corporations or legal persons who do not

aim at profit. Especially, the Credit Associations in cities or city areas designated by the competent Minister of State may, besides the business above described, discount bills for their members and handle savings of persons who are not their members but reside inside the same boundary. Therefore, they may be called the People's Banks in city areas, and are placed under the control of the Minister of Finance and Minister of Agriculture and Forestry. The actual number of these associations was 263 at the end of December, 1931. Their development is illustrated in the following table:

Year	Associations	Societies belonging to these associations	Money paid (In ¥1,000)	Loans made	Savings
1910	11	—	151	336	288
1914	52	—	1,506	4,396	9,918
1919	74	—	6,429	23,228	25,795
1923	86	9,160	12,144	42,549	71,625
1926	70	11,293	13,787	51,143	99,575
1927	70	11,623	11,803	56,532	125,916
1928	67	11,982	12,978	66,498	145,973

Central Bank for Co-operative Associations (Sangyo Kumiai Chuo Kinko)

As an institution for regulating the movement of funds of the Federations of Co-operative Associations and of individual Co-operative Associations and for bringing them into close touch with the central money market, the Central Bank for Co-operative Associations was established by law on April 5, 1923. Its capital at present amounts to ¥30,700,000, of which ¥15,000,000 is invested by the Government and the remainder, ¥15,700,000, by the Co-operative Associations throughout the country. The Associations that participated in the investment amounted to more than 80 per cent. of the total number existing. The principal business of the Central

Bank for Co-operative Associations is as follows:

(1) To make without security loans redeemable at a fixed time within a period of not more than five years to Federations of Co-operative Associations or Co-operative Associations;

(2) To make loans without security redeemable by annual instalments within a period not exceeding thirty years to the Federations of Co-operative Associations or Co-operative Associations, provided that the total amount of such loans does not exceed one-half of the paid-up capital and debentures issued;

(3) To discount bills for, or allow overdrafts to, Federations of Co-operative Associations or Co-operative Associations;

(4) To undertake exchange busi-

ness for Federations of Co-operative Associations or Co-operative Associations;

(5) To receive money as deposits from Federations of Co-operative Associations, public corporations, or legal persons not engaged in business aiming at profit;

(6) To take securities for safe custody for Federations of Co-operative Associations or Co-operative Associations; and

(7) To buy and sell on a consignment basis securities for Federations of Co-operative Associations or Co-operative Associations.

The Central Bank is authorized to issue debentures and is subject to control both of the Minister of Agriculture and Forestry and Minister of Finance. The assets and liabilities of these associations follow:

ASSETS

Year	Unpaid investment	Loans made	Deposits in banks (In ¥ 1,000)	Securities	Total, including others
1925	11,071	2,629	8,238	5,832	33,992
1928	6,259	51,227	17,405	14,643	91,655
1929	4,459	47,535	31,587	14,018	100,283
1930	2,614	78,774	23,149	13,183	120,850
1931	—	95,714	16,908	11,823	—

LIABILITIES

Year	Investment by Government	Investment by others (In ¥ 1,000)	Co-operative debentures	Fixed deposits	Total, including others
1925	15,000	15,700	600	625	33,992
1928	15,000	15,700	18,370	34,012	91,655
1929	15,000	15,700	24,210	36,291	100,283
1930	15,000	15,700	41,240	35,661	120,850
1931	—	—	41,419	—	—

The Big Five

In the commercial banking world, of non-governmental banks there are five which stand out from all the

others in importance, these are the Mitsui, Mitsubishi, Dai-Ichi, Sumitomo and Yasuda. A table of comparative statistics follows. Figures are in ¥1,000.

	Mitsui	Mitsubishi	Dai-Ichi	Sumitomo	Yasuda
Nominal capital	100,000	100,000	57,500	70,000	207,250
Paid-up capital	60,000	62,500	57,500	50,000	150,000
Reserve	51,800	36,700	61,600	25,500	61,100
Deposits	687,600	640,400	703,262	735,200	665,000
Loans and discounts	429,900	317,300	317,612	447,700	439,300
Foreign bills purchased	62,800	10,462	81,836	40,100	39,314
Latest profit for half year	9,708	8,587	5,331	3,887	4,177
Total B.S.	981,600	798,500	851,200	877,200	915,800

Clearing Houses

The establishment of the first clearing house in Japan took place in Osaka in 1879, preceding by eight years that in Tokyo, where one was established in 1887. Cash transactions marked the commercial society

of this country early in the Meiji era and no transactions in bills or cheques were then conducted. Viscount Shibusawa and other business leaders encouraged paper transactions among businessmen at large and the time soon came when it was necessary for Tokyo to establish a

clearing house, one being eventually brought into existence by the Bankers' Association in 1887. The first president of the institution was the late Viscount Shibusawa and the present holder of that office is Mr.

Seihin Ikeda, senior managing-director of the Mitsui Bank. There are now 34 clearing houses in Japan. The amount of clearings in Tokyo and Osaka and All-Japan were as follows:

Year	Tokyo (Total, in yen, for each year)	Osaka	All-Japan
1897	552,890,211	160,967,475	741,490,853
1914	4,490,126,859	2,912,786,388	10,269,770,727
1924	30,739,301,441	26,880,402,564	73,956,976,894
1926	39,460,447,240	28,886,748,581	83,792,532,824
1930	21,866,616,924	17,886,986,416	51,376,233,964
1931	21,593,184,000	14,432,147,000	45,981,000,000
1932	26,662,719,000	15,624,538,000	52,613,000,000

Postal Savings Deposits

The postal savings deposits system of Japan was adopted from the Post Office Savings Act of Great Britain. It was established by an Imperial Ordinance of August, 1874, and was enforced in May of the following year at 22 post offices in the country. The history of this service in Japan is one of the oldest in the world, older than that of Germany or France and 36 years older than that of America. At first the annual interest rate was 3 per cent., the same as at present, which has been enforced since October 1, 1932. The maximum amount one could deposit was ¥500 at first.

In the first year of enforcement the amount totalled ¥15,224 for 1,843 depositors. In 1882 the Mail Act was passed and the deposit business became jointly controlled by the Minister of Finance and Minister of Agriculture and Commerce. The service was looked after by 4,000 post offices in the country. In 1890 the Postal Savings Deposit Act was issued. In 1920 the Exchange Deposit Bureau was established and was later replaced by the Savings Bureau in the Ministry of Communications. The comparison of the postal savings deposits with bank deposits is given together with the average amount of deposit per one depositor as follows:

Year	Postal Savings		Bank Savings		Average Deposits per one Depositor	
	Depositors	Amount (In 1,000)	Depositors	Amount	Postal savings (In yen)	Bank savings
1897	1,256	¥26,335	1,726	¥25,893	20.95	14.71
1907	7,837	91,531	6,810	117,902	11.68	17.31
1912	12,357	197,293	8,639	166,432	15.97	19.26
1917	16,951	416,947	11,369	334,000	24.60	29.38
1922	26,581	976,726	10,667	596,200	36.73	55.89
1923	27,942	1,102,129	9,444	628,998	39.44	66.60
1924	29,748	1,099,719	10,009	708,696	36.97	70.80
1925	31,247	1,134,324	10,612	797,234	36.30	75.12
1926	32,261	1,162,358	11,115	968,296	36.03	87.11

The above statistics were prepared by the Savings Bureau of the Ministry of Communications. No figure of the kind has been published since

1926.

The number of depositors and amount of savings since 1927 have been as follows: