The Japan Daily Mail.

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THE COMMERCIAL DEPRESSION.

MR. NARUSE, manager of the Fifteenth Bank, makes through the columns of the *Yomiuri Shimbun* some interesting remarks on the depression now ruling in the Japanese share market. We do not find in his comments any reference to the theory frequently put forward by no less an authority than the *Shogyo Shimpo*—that Japan merely feels the reflex action of the depression existing in foreign countries. If that were the explanation, if Japan suffered only by sympathy, her malady would inevitably be less severe than that of Western lands. But, as a matter of fact, it is much more acute. Lying before us as we write is the *Exchange Intelligence* of the 7th of February last. From it and from the same journal for the 14th instant, we take the following comparative figures:—

	Quotations on Feb. 7th.	Quotations on Oct. 14th.
Tokyo Railway............	112.50 *yen.*	61 35 *yen.*
Nippon Yusen Kaisha...	127.00 „	88 30 „
Tokyo Stock Exchange..	623.00 „	132.05 „

Nothing even remotely approaching such a debacle has been witnessed during recent years in the markets of Occidental cities, and it is surely unreasonable to claim that the stupendous trouble in Japan's case is merely a reflexion of the West's comparatively petty embarrassment. Moreover, if London, for example, suffers when New York, Paris or Berlin is affected, it is because there exist between these cities close financial connexions. The capitalists in each place hold greater or less blocks of the others' securities, and thus when one becomes sick, the rest suffer, though in a less degree. No such connexion exists between Tokyo and the financial centres of the Occident. It is true that Europeans and Americans invest in the stock of Japan's State loans, but these bonds, being guaranteed by the Japanese Government, are virtually independent of the ordinary factors of fluctuation, and, as a matter of fact have scarcely been visibly affected by such factors during the past year. We are quite unable, therefore, to follow the *Shogyo Shimpo's* line of argument much as we appreciate the ability usually displayed by that journal in discussing economic or financial problems. It is also a very curious feature of Japan's malady that while she suffers intensely from small causes, great events find her comparatively insensible. Thus while a depreciation of less than threepence per ounce in the gold price of silver and its remote consequence upon her trade with Oriental countries, suffice to throw her into something like a panic, splendid crops of rice and silk in her own country and a large volume of over-sea commerce seem quite impotent to affect her in the opposite direction. We turn then with much interest to the explanations of an expert like Mr. NARUSE. His principal subject of criticism is the Government. The nationalization of the railways bulks very largely in his eyes as a cause of the depression. In the first place the service appears to have deteriorated instead of improving. One of the strongest arguments in favour of nationalization—an argument which went far to persuade us—was that, when the railways were placed under one control, they would all be linked up, and the requirements of traffic would be much better satisfied. Precisely the opposite is said to be the case. Something must be set down, of course, to the disturbing effects of the summer floods, but when all due allowance has been made on that score, there remains a state of affairs not redounding to the credit of official management. So, at least, rumour asserts—rumour too persistent to be ignored. Mr. NARUSE thinks that the course of commerce is hampered by this factor, and that it has much to do with the marked appreciation of commodities now taking place. But his chief charge against the nationalization system is that it has virtually shut the door against the import of foreign capital. The railways represented, speaking roughly, a sum of over 300 millions of *yen*. That capital had been fixed during the days when Occidental money markets were practically closed to Japanese private borrowers. To liquify this large amount was a prime essential of the country's industrial progress, and had the railways remained in possession of the companies that built them, they would have been largely hypothecated as security for foreign loans. In fact, several negotiations in that sense had nearly matured when the State stepped in and constituted itself the proprietor of the lines. They remain, of course, a negotiable asset, and the Government may possibly utilize them as an avenue for bringing over foreign capital, but that must be a remote event, and in any case its direct effects would be very different from the consequences of a similar transaction by private companies. On the other hand, instead of obtaining money abroad and prosecuting their enterprises of development, the shareholders of the companies will now receive a vast volume of public bonds, carrying interest at the rate of 5 per cent. What will they do with these securities? Certainly they will not be content to hold them as investments, when 6 or 7 per cent. can easily be obtained in other directions. But to hypothecate them to the banks would not produce cheap money for their owners. The probability is, therefore, that a large quantity of them will be thrown on the market, and the proceeds will be invested in shares. Such a result should produce, on the one hand, an appreciation of shares, and, on the other, a depreciation of public securities. But the main point is that by nationalization of the railways the main avenue of foreign capital has been closed. That is Mr. NARUSE's view, and we see no reason to question it. He says nothing, however, of the moral influence produced upon speculation by the events of the past 8 months. Yet that is a weighty factor. Up to the close of February last an idea prevailed that if a man did but buy shares, he was assured of a profit. Thereafter the situation became diametrically reversed. Equally absolute credence was given to the notion that to sell was to gain. We have not yet emerged from the era of the latter creed. For every 3 buyers to day there are said to be fully 7 sellers. Of course this second mood must have its limit just as the first had. At any moment investors may be tempted to step in and then the tables would turn very quickly, Present prices seem very close to the point which investors should find seductive.

CHINA.

As our readers have observed, the Chinese Government has shown a manifest disposition to exaggerate Japan's military doings in Chientao, but, on the other hand, Japanese reports about China's doings are equally grave and persistent. Thus it is now said that although the Peking Government openly agreed to Japan's representation as to the unwisdom of sending any large military force to the disputed territory, steps are now being taken to mass quite a little army in Kilin and the Amur region so as to be in readiness for an immediate advance to Chientao.

The *Asahi Shimbun* has a leading article on the subject of Chientao. It urges the advisability of a speedy compromise between the two Governments, and recalls the fact that 35 years ago a similar question about the sovereignty of Formosa nearly plunged Japan and China into war. It is not in Chientao alone that these nebulous conditions of ownership exist. Along China's immense frontiers conterminous with Russia there are many places which may furnish cause for dispute, and Japan's management of the Chientao problem will therefore constitute an important precedent. Our contemporary evidently recognises, though it does not explicitly state, that from time immemorial these perplexing questions have arisen in connexion with the Chinese frontiers. From a remote antiquity China's policy has been to interpose between herself and foreign countries a fringe of buffer States, which she was nominally prepared to uphold but which she generally abandoned to their fate at the first symptom of any troublesome complication. Strategically speaking, Chientao is a region of much moment, and its possession would suit China geographically. No wonder that she is anxious to assert a claim to it.

It is stated that the recently issued rescript providing for the disbandment of the eight Banner Corps of Manchus has created great dissatisfaction in the Amur region. Officers and men are said to be deserting to the ranks of the Hunghutsz or seeking nationalization in Russian territory. Provincial authorities are doing everything in their power to correct this state of affairs.

The South Manchuria Railway seems to be in a somewhat difficult situation, if we may credit the assertions of an informant of the *Asahi Shimbun*. Two strong competitors menace the Railway, one on the north the other on the west. The former is the Russian service. By cheapening the rates *via* Vladivostock and enhancing those from Kwanchengtsz, the Russians are endeavouring to monopolize the trans-Asiatic traffic, and to prevent any part of it from flowing along the South Manchuria line. On the other hand, the Chinese are converting their Mukden-Hsinmintun Road into a strong competitor for all goods travelling to Newchwang from the Three Provinces. Japan may compete with the Chinese by lowering her rates, but the Russians and Chinese seem to have caught her in a forked stick.

KOREA.

On the occasion of his audience with the Emperor on the 14th inst., when he introduced Viscount Sone, Prince Ito seems to have spoken in very unreserved terms to his Majesty. The ex-Emperor gave him an opportunity to be plain, for he alluded to the inexperience of the reigning Sovereign and expressed a hope that the Prince would do everything in his power to assist his Majesty. The ex-Emperor further said that he hoped to have the opportunity of meeting the Prince Imperial during the latter's stay in Seoul. Prince Ito is reported (*Mainichi Dempo's* telegrams) to have replied that the reigning Emperor had his own responsibility to discharge, and that any meddling on the part of the ex Emperor would be likely to evolve the evils of interference and restraint. The ex-Emperor's wisest plan would be to refrain altogether from mixing himself up with the Government affairs. As to his Majesty's desire to meet the Japanese Prince Imperial, his Excellency thought that the latter's programme was already fixed and that it would be scarcely possible for him to have an audience with the ex-Emperor. Another account alleges that Prince Ito spoke pretty clearly about anti-Japanese feeling in the Court, and that the ex-Emperor strenuously denied anything of the sort and, by way of proof, referred to the fact that the reigning Sovereign employed Japanese officers among his body-guard. The Prince then said that if the various incidents of the past few months were not inspired by anti-Japanese feeling, they must be attributable to anti-Ito feeling, in which case he begged to suggest that the new Vice-Resident-General, Viscount Sone, might be taken into the Court's confidence. The ex-Emperor of course avowed that he placed equal confidence in the Resident General and the Vice-Resident-General and that he trusted them both to assist his country. The conversation was carried on in a good humoured strain, but it must have furnished to the ex-Emperor much food for reflection.

The three ex-Ministers who fled from Seoul some years ago in company with Pak Yongho on the occasion of the *coup d'étât* which resulted in the assassination of the Prime Minister Kin, have now been publicly pardoned and given official appointments at the Court.

Mr. Yi Chaisong, who was recently reported to have opened communications with the provincial insurgents at the instance of the ex-Emperor, has been deprived of his princely rank and arrested by the police.

The *Asahi Shimbun* has a bitter note charging the Korean Court with distinct rudeness towards Japan. It appears that the Emperor originally announced his intention of going to the south gate of the city to meet his Imperial visitor and thereafter riding back in the same carriage with the Japanese Prince Imperial. This programme has now been changed. The Emperor will not ride in the same carriage with the Japanese Prince, but will leave that duty to the Korean Prince Imperial. Moreover, it is said that his Majesty will not return the visit of the Crown Prince. Should it turn out that these radical changes of programme have been made, the explanation will doubtless be that the conservative party at Court has obtained the control of affairs. But will Prince Ito consent to such doings? We suspect that the *Asahi's* information is not altogether correct, for it may be taken for granted that the Crown Prince will not perform any act of courtesy which does not receive due acknowledgement from the other side.

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AMERICA AND JAPAN.

The silliest of silly rumours are beginning to emanate once more from American sources. It is stated, for example, that, according to a report made by General Linevitch and confirmed by a comrade of his in Tokyo, the Japanese are strenuously erecting forts in Manchuria and Korea, which action on their part is construed by the United States as an indication of warlike indications. There is, however, a saving clause, namely, that the American Government still relies upon Japan's friendship. The telegram does not take the trouble to explain what conceivable concern the erection of forts in Manchuria and Korea would have for the United States. It is poor art that leaves nothing to the imagination and American sensation-mongers are not by any means poor artists

Another story said to be in busy circulation is that the Mitsui Firm has placed with the American Steel Trust an order so large as to be plainly of a national character, and that the mouths of the employees of the Trust have been carefully closed.

The new American Ambassador, who was waited on by a representative of the *Kokumin Shimbun* immediately on his Excellency's return from presenting his credentials at the Palace, is reported to have emphatically differentiated the foolish and exaggerated rumours circulated by some newspapers from the real mood of the two nations towards each other. Mr. O'Brien said that Mr. Taft, on the occasion of his recent visit had faithfully and fully depicted the sentiments of the American Government and nation towards Japan, and endorsing for his own part every word uttered by the Secretary of War, he saw no occasion to add anything now.