

10.1.2-4.2.1  
Berlin 4. August 1881.

Confidential Memorandum.

On the 24<sup>th</sup> June the London & China Telegraph published a serious attack on the pamphlet of Mr. Sango Okuma about the Japanese Finances. Having obtained the permission of Mr. Aoki Syuzo the Undersigned prepared a defence of the statements made by Mr. Okuma and sent them to the Editor of the London and China Telegraph with the request for insertion. In order to take away from this statement all official character care was taken to borrow the signature of Mr. Honda a private Japanese gentleman studying at Berlin who willingly consented. The Editor has informed the Undersigned that this letter appeared in the  
issue



issue of the 29 July and will also be inserted  
 in that of the 2<sup>nd</sup> August. Up to the present time  
 however no copy has been received and will  
 therefore be forwarded by next mail. A Mr. Howell  
 formerly a newspaper writer in Yokohama has also  
 written to the London & China Telegraph a letter which  
 is herby annexed. This letter although defending  
 in general Mr. Okuma, on the other hand grants  
 the accusations brought against him on the question  
 of his financial statements (see the parts undulined)  
 but it is hoped that the explanation given in the  
 undersigned's letter (signed by Honda) will somewhat  
 remove the unfavorable impression although from  
 want of information the defence could only be incomplete.

Baron von Liebold

THE LON

[JUNE 27, 1881]

have to be made, for much embarrassment and calculation  
 is avoided. The unreliability of statistics is well proved by  
 those obtained during twenty-eight days in November, for  
 the purpose of framing the tabular information required by  
 the International Bureau. It is a pity such faulty statistics  
 are compiled, especially when their object is so important  
 a one. It is hardly to be expected that in the face of Mr.  
 LISTER's remarks they will be made use of, and it is to be  
 regretted that they were ever got up in the way they were.  
 With regard to the Money Order system with some of the  
 Australian colonies, it is easy to realise the trouble caused by  
 the Chinese habit of going into fractions of a cent, and his  
 disappointment when he imagines he has been defrauded  
 of a sum which it would be impossible to pay. It is to be  
 hoped the Chinese will see the absurdity of making such  
 minute calculations, and will be content to benefit by the  
 advantageous system of remitting small sums. Next comes  
 the question of establishing an Intercolonial Parcels Post,  
 and we must confess to some surprise at the Customs diffi-  
 culties which are said to be the groundwork of the refusal  
 of the Australian colonies to co-operate in the scheme.  
 The suggestions made are clear and plain, and ought cer-  
 tainly to be adopted. The declaration of contents sug-  
 gested should suffice for all practical purposes, and there  
 can be no necessity for Customs interference. The subject  
 might be legislated for so as to ensure a non-abuse of the  
 privilege, and that would be a sufficient protection  
 for the department, which evidently fears that it will  
 be cheated. With reference to the question of a sub-  
 sidised mail service to Foochow, Mr. LISTER reasons  
 well when he says that the claims of the community of  
 that port might be entertained by the Imperial Govern-  
 ment, but can hardly be placed on the shoulders of the  
 Hong Kong people. Foochow ought to have a regular  
 service, and some memorial might be forwarded to the  
 Home authorities; but we cannot see why Hong Kong  
 should be asked to pay the whole sum necessary for the  
 accommodation. The same system as is adopted here to  
 discover thefts was tried successfully at Canton, and the  
 adroit thief was detected by means of test letters. It is  
 to be hoped the punishment he has received will be a de-  
 terrent to others, who are similarly disposed to tamper  
 with the contents of the mail boxes. Altogether the Post-  
 office at Hong Kong is well looked after, and Mr. LISTER  
 must be congratulated on his administration, as well as  
 on his able report.

TELEGRAPHIC advices from Washington report that at  
 the request of the Chinese Government, Lieutenant MAN-  
 NING, of the American Marines, has been granted per-  
 mission to enter the Chinese naval service, with a view to  
 organising a Chinese corps of Marines.

We regret to hear that a telegram has been received by  
 the Marquis TSUNG, the Chinese Minister, reporting the  
 death of his younger and only brother, which occurred at  
 Peking.

#### JAPANESE FINANCE.

A PAMPHLET has just been issued at Tokio, entitled "A  
 General View of Financial Policy during Thirteen Years  
 (1868-80)". It is written by OKUMA SHIGENOBU, with  
 the evident object of vindicating the policy of the present  
 Government, and of endeavouring to prove that the results  
 obtained quite justify the liabilities which have been in-  
 curred. As a collection of bewildering statistics the pam-  
 phlet may be deemed a success, but the arrangement is  
 such as to lead one to suppose that the writer, feeling the  
 difficult nature of his task, has tried to place his figures in  
 the order most likely to throw the public off the real  
 issues. At the same time much of the matter is apolo-  
 getic, and hardly conclusive as argument, so that the  
 result obtained by the production of the "General View  
 of Financial Policy" is nothing more than an acknow-  
 ledgment of the difficulties which exist, coupled with a  
 kind of promise that care will in future be exercised and a  
 hope that things will gradually assume a different aspect.  
 As everyone knows, statistics are very often misleading,  
 and the manner in which they are dealt with in this pam-  
 phlet is very much so. In the first place, there is at the  
 commencement a tabular statement, by which it is made



# JAPANESE FINANCE.

(To the Editor of the *London and China Telegraph*.)

SIR.—In the article on Japanese Finance in your issue of the 27th ult. you do but scant justice to H.E. Okuma Shigenobu, whose pamphlet, entitled "A General View of Financial Policy During Thirteen Years, 1868-80," forms the text of your remarks. You say:—"As a collection of bewildering statistics the pamphlet may be deemed a success, but the arrangement is such as to lead one to suppose that the writer, feeling the difficult nature of his task, has tried to place his figures in the order most likely to throw the public off the real issues."

I shall ask no pardon for saying in reply that, in my opinion, at all events, your test of its success is as cynical and ungenerous as your charge against the ex-Finance Minister is unfair, and, I must even add, unworthy.

Without endorsing the extravagant praise bestowed upon Okuma Sangi by Sir E. J. Reed in his work on Japan, it is impossible to doubt that he is a man of marked ability, of true patriotic purpose, and of unimpeached probity. The very last papers from Japan exhibit his name attached, with that of Ito Hirobumi, to a memorial to the Dajio Daijin, denouncing the blighting, improper, and protected competition of the officials and official departments, with the unprotected industry of the people, and the courage required for this act shows that he possesses at least one political virtue beyond those which, with some knowledge of his mind and character, I have deliberately ascribed to him. The simple truth is that a survey of the finances of a nation of more than thirty millions of people, extending over thirteen years, must needs involve a great many figures, and a great deal of detail. Be it remembered, too, that, thirteen years ago, before the restoration of the Mikadoate to its true position as the political centre of gravity had permitted the formation of one great administrative centre in Yedo, the various daimiates managed their own affairs, collected and spent their own revenues, had their own mints, and issued their own paper currencies, uncontrolled by any supreme authority. But after the revolution had effected this most important and beneficial restoration, the Central Government assumed the control, and took over the obligations, of the daimiates. This involved the creation of a new and necessarily complicated machinery for the management of the finances of the whole Empire under one roof, and certainly no man has contributed so much towards the plan, the construction, the regulation and control of this machinery as H.E. Okuma Shigenobu. Very large and difficult operations have been carried through by means of it; it works with order, regularity, accuracy, and speed; and something more is due to its construction than the sneers of a writer either too indolent to master, or incapable of analysing, details which are necessitated by the very nature of the subject, and for withholding which a Minister might easily have incurred both blame and suspicion. I shall not deny that the finances of Japan are, at this moment, in a condition which causes grave anxiety to its friends, whether native or foreign. I shall not contend that H.E.'s pamphlet is everywhere as clear as it might be made by an European financier conversant with the more perfect forms, methods, and processes known to ourselves. I shall even admit that, owing to what appears to me a radical misconception of the true meaning and value of the respective terms, H.E. confuses, if he does not absolutely ignore, the important difference between the Cash Balance in the Treasury, and the Reserve Fund, which he claims to be a surplus of revenue and a set-off against the National Debt. I do not think that he accurately apprehends that money obtained by the issue of an incontrovertible paper currency and credited to revenue, is really so much debt and liability, in spite of the immediate relief which it has afforded to an embarrassed exchequer. I can come to no other conclusion, after having gone very carefully over his figures and the admirable analysis which has been made of them in the *Japan Gazette*. But, strongly as I suspect this serious mistake, I am far more strongly convinced that it arises from an erroneous view of the true nature of the Japanese paper currency. It seems to me absurd to suppose that a Finance Minister would attempt a deliberate deception which, as such, would be exposed within four-and-twenty hours, and would cost him his reputation if not his liberty. It may be retorted upon me that a Finance Minister who is even suspected of such confusion of mind is *ipso facto* disqualified for the position his Excellency has so long held, and that my advocacy of his claim to credit and respect is at least as damaging to him as the criticisms of which I complain. But no impartial judge will pronounce such an opinion, in view of the want of familiarity of a Japanese statesman with problems in finance which he may easily fail to solve from this very cause. It is easy to say that there is an organic difference between a debit and a credit, and that he who cannot see it is either fool or knave. But a statesman in a country where the whole financial machinery is new, and realising the fact that a paper currency substituted for a metallic one is at one time, and under one set of conditions, a national gain, and at another time and under other conditions, a source of cruel national loss, may well be excused for some errors which time will certainly correct, and which nothing but a wider experience would have enabled him to avoid.

I should trespass too much upon your space were I to proceed to a complete analysis of H.E.'s pamphlet. But there is one point which I think deserves, even if it does not demand, more detailed comment than is given in your article, and, with your permission, I will ask the attention of your readers to it. It is this:—You say that "the total National Debt is 350,840,000 yen, against which there is the reserve and loans, amounting to 58,630,000 yen." These figures are correct. But they are calculated to give a very alarming view of the financial position to anyone who knows that the country is a comparatively poor one, and who is ignorant of the constitution of the debt. In order to explain

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this, so far, that is, as comports with my immediate object, I will ask attention to the following figures, premising that they represent the gross debt of each year, with no deduction made for the Reserve Fund, which now stands at 58,630,000 yen, to which sum it has advanced from 26,280,000 yen in the year 1872.

Gross debt in 1872	...	...	...	Yen 104,240,000
" " 1873	...	...	...	" 129,200,000
" " 1874	...	...	...	" 133,350,000
" " 1875	...	...	...	" 142,280,000
" " 1876	...	...	...	" 148,920,000
" " 1877	...	...	...	" 363,220,000
" " 1878	...	...	...	" 375,250,000
" " 1879	...	...	...	" 363,320,000
" " 1880	...	...	...	" 358,040,000

Now, it will be observed that there was a prodigious increase of the debt between the years 1876 and 1877, amounting, indeed, to no less than 215 millions of yen, a vast sum in relation to the revenues and resources of the country, not at that time engaged in foreign war. This increase was mainly due to two causes:—1st, the commutation of the hereditary pensions formerly enjoyed by the nobles, the military class, and the Shinto priests, which accounts for 174,000,000 yen; 2nd, the Satsuma or Kinshiu rebellion, the suppression of which cost 27,000,000 yen. (With the balance, amounting to 14,000,000 yen, I shall not here deal, partly because I am not sure that I could do so quite correctly, and partly because it bears no very serious relation to the total sum.)

But it would be a very serious error and source of confusion to regard the sum debited to the State for the capitalisation of the pensions of the nobles and military, as constituting a part of the permanent debt, or rather, perhaps, a liability to be discharged out of revenue. In the first place, the annual interest on this sum of 174,000,000 yen, amounting to 13,000,000 yen, is fully recouped to the Government by the rent of the lands of which those classes were dispossessed by the edict of 1876, and by the surrender in 1868 of their fiefs by the great nobles; and, in the second place, the annuities guaranteed by the State as compensation for those lands are terminable at periods varying from five to twenty-eight years, dating from the year 1876. There is, therefore, not only no charge for interest on this part of the debt, but the terminable annuities of which it consists are now beginning to fall in, and the sum thus accruing to the State will increase year by year until the year 1904, when all claims on the rents of the lands will have become extinguished.

In regard to the sum of 27,000,000 yen spent on the suppression of the Satsuma rebellion there is little to be said. In that rebellion feudalism in Japan expired, and with it its last champion, the noble, chivalrous Saigo Kichinosuke.—I am, &c.,  
London, July 8, 1881. W. G. HOWELL.

[The detailed criticism of Mr. W. G. Howell seems to us to justify our remarks, which were made, it is needless to say, without any intention of reflecting on H.E. Okuma Shigenobu. The errors in the conception of the state of the finances are admitted, and others to which we made no reference are pointed out.—Ed. *London and China Telegraph*.]



August 3<sup>rd</sup> 1887.

LONDON AND CHINA TELEGRAPH. 3

At a meeting of the Russian Geographical Society M. Severtzov gave some of the results of his recent visit to the Pamir Mountains, in which he corrects in many important respects the generally received conceptions as to the nature and structure of that range. The Pamir, he finds, is no tableland, and has to the height of some 12,000 feet no steppe region. There are valleys along the rivers up to a height of 14,000 feet, but the widest is only 20 versts, and a wider surface is not to be found. This peculiar feature the Pamir has in common with the Tien-Shan and Tibet, where similar valleys of narrow width at considerable heights are found. Real, lofty plateaus are not to be found on the Pamir. The mountains rise in lofty ridges to 6,000 feet and 7,000 feet above the valleys. The absolute height of the mountains of the Pamir reaches often to 19,000 feet, and three groups of great altitude reach as high as 25,000 feet. But these elevations do not alter the generally symmetrical character of the Inner Pamir. Another characteristic feature of the Pamir Mountain region is that the mountain lines stretch in the direction of the meridian, and seldom strike out at right angles. In this respect the Southern Pamir resemble the mountains of Tibet, whereas in the Tien-Shan the tendency is to parallel ranges. In geological character, also, the Pamir seems to differ considerably from the Tien-Shan. M. Severtzov recognises in the lower strata evidence of the ocean gulf which once separated the Pamir from the Tien-Shan. Both are independent mountain systems, even if the elevation of the ground between them is not less than 10,000 feet. The oldest formations are found in the Inner Pamir, which, in this respect, is regarded as the groundwork of the system. Evidence was obtained to show that the elevation of this range is still going on. In the course of 12,000 years it has risen 600 feet.

Mr. Pfoundes lectured at Langham-hall, on the 20th inst., his subject being the "Intellectual and Social Life of the Far East." Pointing out the prevailing ignorance and misconceptions with regard to far-off nations, and strongly urging more attention being paid to our relations with Eastern people, the lecturer gave a very favourable picture of the life and thoughts of the Japanese, and drew comparisons between them and our own people, not always complimentary to ourselves. As might be expected, Mr. Pfoundes claims a high place for the educated conservative gentlemen of old Japan, and points out that they possess much that we esteem, wonderfully true artistic instincts, a high poetic ideal, highly cultivated literary tastes, and a nobility of thought and purity of sentiment that we might study to advantage.

The work of "Strange Stories from a Chinese Studio," by H. A. Giles, of H.M.'s Consular Service in China, will shortly appear in German, translated by Mrs. L. Baumann, a literary lady well known to the public of Germany.

The speech of Mr. Edward Clarke, of Macclesfield, on Free Trade v. Fair Trade, which we gave in a recent issue, has been published in a pamphlet form.

Correspondence.

[We do not always agree with the views of our Correspondents, but give insertion to them to promote discussion.]

JAPANESE FINANCE.

(To the Editor of the *London and China Telegraph*.)

SIR,—In your article on Japanese Finance of the 27th ult. you have drawn attention to a remarkable pamphlet, published by the former Minister of Finance, Okuma Shigenobu, now a member of the Imperial Privy Council. You have, however, pointed out that much of the statistical data given therein is adapted to the purpose of proving a flourishing condition of finances, which according to your opinion is anything but proved by the accompanying tabular statements.

In the *Japan Mail* of the 2nd April I have discovered a translation of the pamphlet in question, which I have carefully examined, particularly with reference to the censures passed in your article. I have, however, not only been unable to arrive at the same conclusions, but I have found, on the contrary, that the calculations brought forward by you in proof of your assertions seem to me capable of explanation, which to my humble conception leave no doubt whatsoever as to the correctness of the Japanese Minister's assertions. I take, therefore, the liberty to enumerate here the results of my inquiry.

The first table to which you allude, and by which it appeared to you the Minister had shown a fictitious surplus, is evidently not meant to show the balance between actual revenue and expenditure, but is simply what is known in the French fiscal administration as the "Compte des opérations de l'année," and would in English be properly called the account of the issues and receipts from the Treasury. It is simply a table which contains the account of all the sums passed into the receiving and out of the disbursing branch of the Treasury, without reference to their origin or appropriation (which is shown in other tables).