

Jensen
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PUBLIC EXPENDITURES IN JAPAN

Japan returned to the gold standard in 1930, went through a painful period of depression and departed from the gold standard in December, 1931. Government expenditures of the army, navy and relief works increased considerably, the entire increase being financed by borrowings. Due to large purchases of foreign goods and to an export of capital the exchange fell rapidly. In the intervening two and a half years Japan has staged a remarkable comeback and none of the dire things that were prophesied have as yet occurred. Production activity is back almost to the 1928 level; imports and exports are likewise back to the 1928 level; the rate of interest on Government bonds has fallen; capital flotations have increased; prices rose initially and since have remained fairly stable; the supply of money which had not contracted to any considerable extent previously has risen very little; revenues are increasing and slightly decreased borrowings are estimated for 1934 and 1935. The one unsatisfactory index is that of payrolls which have not risen proportionately with profits. This may be due to the weak bargaining position of Japanese labor.

In view of Japan's dependence on her exports in order to secure her essential raw materials and the fact that of her two main exports, ^{one} (1) silk, has been handicapped by low prices and the other, cotton, by embargoes, a recovery outstripping that of other countries is surprising and can only be attributed to the ^{expansive} ~~extensive~~ effect of Government expenditures.



