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A STUDY IN FINANCIAL STATISTICS

1. INTRODUCTION

Our economic life is affected in no small degree by the nature of the parties we have to deal with. When we have to deal in our economic life, with authoritative bodies such as the State or public organisations, that economic life is known as financial life, as distinguished from other forms of economic life. Financial statistics are those statistics dealing with financial life, form an independent branch of learning, and are differentiated from economic statistics which have the general economic life as its centre.

The economic life we of the modern world lead is based on money economy. When, therefore, goods move in our economic life, the floating of goods, especially of money, is presupposed; conversely, we can conceive the thesis that "wherever money move there always move goods." In financial life, however, the State or other public organisations take away goods without compensation, the result being "the movement of money in one direction, unaccompanied by the floating of goods." It is due to the above phenomenon that, whereas the general economic life is known as the horizontal relationship or the relationship of right and obligation, financial life is termed the vertical relationship or the relationship of authority and obedience. This is the focal point in the study of financial statistics.

The main difference between these two forms of economics, then, consists in the nature of their relationship. Every life, however, in an age of money economy like the present, must be led in terms of currency. For this reason, almost every figure in financial statistics is indicated in terms of pecuniary value. And, since pecuniary value is always

changing, both internally and externally, especially after the world war, financial statistics must pay due attention to this phenomenon. Index numbers of prices are used in measuring pecuniary value or the purchasing power of money. Table I contains representative index numbers of the wholesale prices of Japan, Great Britain, the United States and France.

Table I

Comparison of Index Numbers of Wholesale Prices

Year	Compiled by the Bank of Japan (Tokyo); Monthly average index numbers	Compiled by the *Economist* (London) Index Numbers at end of months	Compiled by *Bradstreet* (New York); Index Numbers at the beginning of months	Compiled by *Statistique Générale* Monthly Average Index Numbers
July, 1914	100.0	100.0	100.0	100.0
1915	101.6	129.2	113.8	136.0
1916	122.9	168.3	136.6	186.5
1917	154.7	214.4	180.5	259.3
1918	202.6	236.0	216.7	339.1
1919	247.8	246.8	215.7	356.5
1920	272.8	297.4	217.3	509.7
1921	210.8	190.1	131.3	345.0
1922	206.0	167.3	140.0	326.4
1923	209.5	170.2	154.8	420.2
1924	217.3	182.6	148.6	498.8
1925	212.2	174.8	161.1	561.3
1926	188.2	160.4	150.4	712.6

As Table I indicates above, the variation of the index numbers of prices or the value of money during the past thirteen years, between 1914 the year in which the world war broke out and 1926, is wide indeed, different countries showing different degrees of variation. The variation of pecuniary value is an important factor in dealing with the financial statistics of a country as well as in comparing the financial statistics of different nations.

I have so far dealt with the meaning of financial statistics and dwelt on the necessity of paying proper attention to the variation of pecuniary value in its study. I have stated that financial life is an economic life in which we have to deal with the State and other public organisations.

So stated, it may appear as a simple fact; but in reality it is a complex matter indeed, inasmuch as all authoritative bodies are not of the same nature and the relations between us and such bodies are also changeable. With the difference in economic life, financial life also becomes different and there are many other circumstances affecting the financial life of nations. It is only too natural then that the financial statistics of different countries should have different contents. There are those who make it their sole task to compare the figures of international financial statistics. True, figures of financial life are common to the financial statistics of all countries. However, inasmuch as financial life itself is many-sided, a simple comparison of figures will be of small value only. I intend in this article, first, to study the financial statistics of Japan (which are based upon the financial life of our own people), and, secondarily, to compare those of different nations.

I have divided financial statistics into two kinds: national financial statistics and local financial statistics; and to the former I have added taxation statistics and those on government debts. I shall first deal with national financial statistics.

2. NATIONAL FINANCIAL STATISTICS

The two chief materials for the study of financial statistics are the budget and settlement. The budget contains the estimates (Soll-rechnung) of future disbursements, while the settlement records the actual results (Ist-rechnung) of financial expenditures in the past. The settlement has the virtue of reality inasmuch as it contains the figures pertaining to actual results, but its chief defect lies in the fact that the figures are comparatively old. As to the budget, it merely contains figures of financial conjectures, although they have the merit of newness. The budget contains conjectural figures of the probable expenditure of the coming year, but there are also figures of annual revenues and

Table II

General Annual Financial Accounts

(a) Settlement and Budget* (unit, 1,000 yen)

	1918	1919	1920	1921	1922	1923	1924	1925	1926*	1927*
Revenue:										
Ordinary	929,165	1,085,898	1,202,335	1,314,211	1,428,206	1,303,832	1,438,640	1,443,234	1,373,372	1,458,151
Extraordinary	549,950	722,735	978,317	751,499	659,139	741,466	688,751	628,134	293,401	300,818
Total	1,479,115	1,808,633	2,000,652	2,065,711	2,087,345	2,045,298	2,127,391	2,071,369	1,666,774	1,758,969
Disbursement:										
Ordinary	494,449	507,871	715,248	848,069	891,638	960,883	1,051,283	1,016,289	1,095,812	1,170,525
Extraordinary	522,586	664,456	644,729	641,785	538,051	560,167	573,740	508,699	556,962	574,443
State reserve	—	—	—	—	—	—	—	—	14,000	14,000
Total	1,017,035	1,172,328	1,359,978	1,489,855	1,429,689	1,521,050	1,625,024	1,524,988	1,666,774	1,758,969

(b) General Estimates for 1927 and Years Following: (unit, 1,000 yen)

	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Revenue:										
Ordinary	1,458,151	1,477,961	1,486,707	1,481,938	1,474,967	1,478,126	1,482,025	1,481,948	1,481,991	1,482,034
Extraordinary	300,818	180,296	95,319	63,594	36,191	35,203	31,434	30,489	30,115	28,739
Total	1,758,969	1,658,257	1,582,027	1,545,532	1,511,158	1,513,329	1,513,459	1,512,438	1,512,107	1,510,773
Disbursement:										
Ordinary	1,184,525	1,160,546	1,179,936	1,195,005	1,203,498	1,209,388	1,206,968	1,202,964	1,199,214	1,195,459
Extraordinary	574,443	497,710	402,090	350,527	303,266	295,186	278,469	260,086	264,230	259,980
Total	1,758,969	1,658,257	1,582,027	1,545,532	1,506,764	1,504,574	1,485,437	1,463,051	1,463,444	1,455,439

disbursements covering a period of several future years at a rough estimate. In dealing with annual accounts, settlement records are generally used; otherwise, budgetary figures are used; and for the conjecture of the future revenue and expenditure, a rough estimate is used for reference purposes. The following table contains the aforesaid three kinds of figures, with the year 1927 as the centre:

The annual account is divided into two parts: revenue and disbursement. Both revenue and disbursement are subdivided formally as well as substantially. I shall hereafter treat questions touching upon international financial statistics such as the formation of the annual accounts, the kinds of accounts, the fiscal year, division into ordinary and extraordinary revenue or disbursement, and subdivision of revenue and disbursement, etc.

There are two principles to be observed in the formation of the annual account: the principle of the net amount and that of the gross amount. When, for instance, the net revenue is estimated at Yen 1,000,000,000 (the total tax revenue being Yen 1,100,000,000 and tax collection expenses, Yen 100,000,000) and the net amount of the disbursement for eduction is Yen 1,000,000,000 (the total disbursement for eduction being Yen 1,500,000,000 and the revenue from tuition fees, Yen 500,000,000), we shall be applying the principle of net revenue if we fix the annual revenue at Yen 1,000,000,000 and the disbursement, at Yen 1,000,000,000; on the other hand if we should fix the amount of revenue at Yen 1,600,000,000 (tax revenue being Yen 1,100,000,000 and the tuition fees, Yen 500,000,000) and that of disbursement, at Yen 1,600,000,000 (tax collection expenses being Yen 100,000,000 and eductional expenses, Yen 1,500,000,000), then we are applying the principle of the gross amount. The principle of the gross amount takes all outlays or revenue without corresponding deduction as disbursement or revenue. The principle of the net amount, on the other hand, first deducts all necessary expenses from the total amount of revenue and indicates only the net revenue; and in the case

of disbursement, accompanying incomes are first deducted from the total amount of expenditure and the remainder only is indicated in the account. Nearly all modern nations adopt the principle of the gross amount and our own country also adopts it in principle.

I shall next consider the kinds of accounts. It is possible to make all revenues and disbursements of a State into one acount. But with the increasing complexity of the nature of financial life, there appears the necessity of dividing a State's account into various kinds, in accordance with the nature of the disbursement. In the case of our own country, for instance, there are more than thirty different accounts in addition to the general account. The following are the general and special accounts of Japan for the fiscal year 1927:

Table III

The General and special accounts for 1927

	Revenue (unit, 1,000 yen)	Disbursement (unit, 1,000 yen)
General Account	1,758,969	1,758,969
Special Accounts:		
Cultural enterprises in China	4,128	2,994
Health insurance	32,254	32,254
National Mint:		
Mint proper	15,668	5,226
Capital bureau	22,917	9,053
Printing bureau	8,874	7,024
Monopoly bureau	326,977	172,116
Savings bureau of the Finance Office	88,871	84,149
Educational fund	22	—
Debts adjustment fund	799,980	799,980
Debts fund	150,000	150,000
Compensation	4,878	400
State property readjustment fund	23,413	23,413
Educational and agricultural fund	7,666	7,750
Government-General of Chosen	210,910	210,910
Chosen railways supply fund	18,056	18,056
Government-General of Taiwan	111,599	111,599
Taiwan government railways supply fund	4,550	4,550
Government of Kwantung	17,915	17,915

	Revenue (unit, 1,000 yen)	Disbursement (unit, 1,000 yen)
Government of Karafuto (Saghalien)	20,154	20,154
Government of Nanyo (South Seas)	4,546	4,546
Army arsenal	48,628	48,628
Army woolen cloth shop	5,993	5,990
Navy arsenal fund	35,456	35,298
Navy powder-mill	3,292	3,291
Navy fuel-mill	22,668	21,107
Imperial University:		
Imperial university proper	25,571	25,571
Capital bureau	652	1,186
Government University:		
University proper	7,898	7,898
Capital bureau	96	766
School and library:		
School and library proper	18,079	18,079
Capital bureau	350	1,427
Cereal supply adjustment	68,264	68,264
Iron works:		
Capital account	9,292	8,245
Supply account	67,145	68,159
Work account	94,731	90,787
Easy-term life insurance	100,195	39,101
Postal pension	7,871	832
Imperial railway:		
Capital account	219,834	219,834
Supply account	223,004	223,004
Revenue account	654,460	495,625

The relation between the general account and the special accounts as given in Table III is very complex. In some cases, the two are independent of one anothers; in others, they have inter-connections in varied degrees; in some the connection is whole, but in others it is only partial, so that they cannot be dealt with indiscriminately. The Finance Office gives the following totals of the amounts of the general account, and of special accounts for 1927 from which a deduction for duplication is mede:

I shall now turn to the question of the fiscal year. This question can be divided into two parts: the time of the beginning of the year and the length of the term; the

	Revenue (yen)	Disbursement (yen)
General account	1,758,969,664	1,758,969,664
Special accounts	3,486,876,995	3,075,199,337
Total	5,245,846,659	4,834,169,001
Deduction	1,531,122,511	1,203,500,557
Remainder	3,714,724,148	3,630,668,444

relation between different years. In our country, the fiscal year begins on the First of April and ends on the Thirty-first of the March following, and thus the length of the term is one year. The extension of the term, (necessitated by book-keeping,) is permitted, so that a new fiscal year may begin at a time when the previous year is still in force, so that two fiscal years exist at the same time. For this, various legal measures have been provided by different countries. In some the First of January is adopted as the day of the beginning of the fiscal year, in others, the First of July is adopted. In some cases one fiscal year continues in force for two or three years; others provide remedies for the duplication of the fiscal year. These facts should be taken into consideration in making a comparative study of the annual accounts of nations, so that time identity shall not be lacking in the materials of financial statistics.

The third question concerns itself with the division of a budget into ordinary and extraordinary branches. Revenues and expenditures of some defined nature are set apart from others, and are opposed to those of other nature: ordinary expenditures are set opposed to ordinary revenues, and extraordinary expenditures, against extraordinary revenues. Although the division under consideration is important, it has the danger of being too artificial; those who are charged with the task of forming a budget are liable to over-estimate those coming under the extraordinary expenditure and the ordinary revenue, thereby intruding into the realm of the ordinary expenditure and the extraordinary revenue; because of their desire to make a vain showing that "public finance is stable" under their administration. In Germany, the

Table IV

General Budgetary Estimate for 1927

Revenue (unit, 1,000 yen)

Ordinary		Extraordinary	
Taxes	883,257	Sale of government property	4,947
Stamps	81,466	Miscellaneous earnings	2,627
Earnings of government Enterprises and property	463,782	Payments by public organisations' works	3,104
Miscellaneous earnings	18,571	Quota borne by public organisations for works.	10,114
Fund carried over from special accounts in the Savings Bureau of the Finance Depart.	3,323	Receipts for scholastic researches	45
Fund carried over from special accounts for educational and agricultural improvement	7,750	Fund carried over from special accounts	23,986
		From issue of bonds	64,000
		Payment of insurance companies	1,996
		Surplus fund carried over from the previous year.	189,994
Total	1,458,151	Total	300,818
Total of all receipts	1,758,969		

annual account is divided into Ordentlicher Haushalt and Ausserordentlicher Haushalt, and the former's expenditure is again subdivided into Fortdauernde Ausgabe and Einmalige Ausgabe; and thus her budgetary formation is quite different from ours.

Revenue and disbursement are primarily divided into the ordinary and extraordinary, but they can be further subdivided several times. In the case of our own annual account, revenue is divided into different items such as tax, revenue from stamps, etc.; classification is made in accordance with the real nature of items which in turn are again subdivided. But in the case of expenditures, division is first made into different government Departments and then again are subdivided. Table IV contains the general budgetary estimates for 1927.

The British budgetary estimates will show various features different from our system as indicated in Table IV, especially in the classification of the disbursement items. The fact must be noted that the budget system of each

Disbursement (unit, 1,000 yen)

Ordinary		Extraordinary	
Imperial Household	4,500	Treasury reserve	14,000
Foreign Office	16,491	Foreign Office	3,510
Home Office	43,958	Home Office	221,081
Finance Department	335,156	Finance Department	67,261
War Department	173,614	War Department	38,741
Navy Department	135,978	Navy Department	120,428
Justice Department	31,121	Justice Department	6,480
Education Department	119,217	Education Department	21,697
Agriculture and Forestry Dept.	26,429	Agriculture and Forestry Dept.	23,284
Commerce and Industry Dept.	4,479	Commerce and Industry Dept.	7,270
Communication Department	279,579	Communications Department	64,687
Total	1,170,525	Total	574,443
Total of all expenditures	1,758,969		

nation has its own merits due to its own particular historical development.

I have so far pointed out the characteristics of national financial statistics. It is doubtful to what extent the international comparison of the finances of various nations as used in financial statistics has identity, and for this reason the possibility of comparison. To tell truth, the figures contained in the annual accounts of different nations are not identical with regard to the nature of the formation of the budget, the classification of accounts, the division into ordinary and extraordinary items, and the subdivision of receipts and expenditures; and for this reason they cannot be compared on the same level. Even supposing that the formation of the budget and the other items are identical in all cases, the figures contained in the accounts of those nations are not sufficient bases for passing criticism upon the nature of the accounts, chiefly because of the following reasons:

1. Whether a nation is that of a centralizing tendency or a decentralizing tendency makes a great difference in the

expansion or contraction of the budget of that country. For this reason, the budgets of local public organisations must be considered in addition to the national account.

2. The annual account of a country where government ownership or administration of large scale industries is carried on extensively (for instance, railways are owned by the State), naturally becomes larger than those of other countries which do not own or administer such large scale industries. One must therefore examine the contents of the items and their figures in the stuey of the annual accounts of various countries.

3. The functions of the State have greatly increased in recent years which means an expansion in the amount of state expenditure. In examining the statistical figures, therefore, one should also study to what extent a country has expanded its functions.

Considerations such as these lead one to realies the complexity of the problem. The calculation of a nation's financial statistics first constitutes a difficult task, but a comparison of such statistics internationally is still more difficult and must be made with extreme carefulness. This is why the statistical figures in connection with such international problems as the limitation of armaments or the settlement of war reparations, support one theory to-day and support another theory tomorrow.

National financial statistics provide many problems both in regard to receipts and disbursements, but I shall now discuss only two particular problems, namely, national tax statistics and notional debt statistics.

3. NATIONAL TAX STATISTICS

It is said that "the modern state is a taxing state." As the aphorism shows, taxes are the centre of our financial life; and statistics on national taxes are by far the most important element of national financial statistics. The following two facts may be cited as causes for this: first, the

revenue from taxes, as ordinary receipt, constitutes a great part of the national income; secondly, the one-sided relationship of obedience to authority which forms the basis of our financial life is most emphatically manifested in taxation.

What, then, are meant by national taxes? An answer is given by Table V.

Table V

Showing a comparison of ordinary receipts in general account and the revenue from taxes (units, 1,000 yen)

	Estimates for 1927	Estimates for 1926	Account for 1915
Taxes:	883,257	812,620	894,808
Income tax	224,159	207,075	234,971
Land tax	66,944	65,091	74,614
Business profit tax	50,961	—	—
Tax on interest	15,930	13,536	—
Inheritance tax	18,457	15,509	17,134
Mineral tax	5,130	4,758	5,465
Tax on issue of bank notes	4,517	4,597	5,137
Tax on *sake*	238,630	207,261	212,638
Tax on soft drinks	4,403	3,711	—
Tax on sugar consumption	76,476	74,857	76,726
Tax on textile consumption	33,847	35,294	56,093
Tax on transactions	14,954	12,652	14,148
Revenue from customs duties	127,413	105,381	111,160
Tonnage tax	1,431	1,329	1,431
Business tax	—	59,477	65,791
Travelling tax	—	970	12,565
Tax on *shoyu*	—	1,115	6,930
Tax on drug business	—	—	174
Receipts from stamps	81,466	83,780	91,530
Receipts from government enterprises and property.			
Government monopoly	160,507	152,212	153,029

Those taxes included in Table V may be included in the national tax statistics without qualification, but somo part of the stamp receipts and the income from government monopolies may also be regarded as coming under the national tax, because stamp receipts include revenue from the registration tax, the stamp tax, the card tax, hunting permits, while the income of government monopolies includes items which are more than mere enterprise profits and which must

be regarded as taxes. I have thus delimited the conception of national taxes.

In reviewing Table V what strikes us first is the fact that the amount of the tax on *sake*, the income tax, the receipt of government monopolies and the customs duties are enormous, their respective amounts being Yen 240,000,000, Yen 220,000,000, Yen 160,000,000, and Yen 130,000,000. Since the greater portion of the receipts of government monopolies is derived from the indirect consumption tax on tobacco, this tax is one of the three main indirect taxes, the other two being the tax on *sake* and customs duties. On the other hand, the income tax which is second in point of amount, not only forms the centre of the direct taxes, but is also representative of the tax revenue, so that the nature of a country's finance can be judged from its income tax. In our country, the income tax and the tax on *sake* form the basis of our national tax statistics.

There are several reasons why the income tax is regarded as important in financial statistics. Since taxes are essentially ordinary receipts, their chief source lies in the income which arises repeatedly. The method of reaching this source, or the formation of the whole system of taxation, results in a differentiation into direct or indirect taxes, and gives rise to various taxes such as the land tax, the business profit tax, the tax on interest, the tax on *sake*, etc. But the income tax has these two characteristics: since it has income as its source as well as the tax-object, it has a tendency, to regard income as its object and at the same time to aim directly at income. It is because of these reasons that the lawmakers treat the income tax law as the centre of tax legislation in their attempt to translate their ideals into reality.

The income tax in our country is of a three-fold type. First comes the income of corporations; next, the revenue derived from bonds, debentures, and the interest on bank deposits, and lastly the income of individuals not belonging to the second class. The following are the figures for the

three classes of the income tax of 1925. (Formerly the income of the first class was divided as follows: (a) surplus income of corporations, (b) reserve income of corporations, (c) dividend income of corporations, (d) liquidation income of corporations, (e) income of corporations having no main or business office in the district where the law is enforced but where the income is derived. But Act No. 8 enacted in March, 1926, changed the classification as follows: (a) ordinary income of corporations, (b) surplus income of corporations, (c) liquidation income of corporations.)

Table VI

Income Tax Figures for 1925

	Yen
First class income tax	87,685,495
Second class income tax	28,054,292
Third class income tax	122,423,416
Total	238,163,203

The incomes which are the tax objects of the above three taxes are of various contents. Table VII contains figures provided by the Tax Bureau's annual reports.

Table VII

Classification of Income Taxes in 1925

Kind of Income	Amount (yen)
First class:	
(a) Surplus income	283,568,210
(b) Reserve income	304,081,733
(c) Dividend income	763,244,495
(d) Liquidation income	15,812,056
(e) Other corporation income	7,082,140
Total	1,168,237,845
Second class:	
(a) Bonds, debentures, interest of bank deposits, profits from loans	555,392,209
(b) Dividends and bonuses	10,203,772
Total	565,595,981

Third class:	
Paddy fields:	
Yeoman farm	154,077,664
Tenant farm	272,921,836
Dry fields:	
Yeoman farm	65,764,687
Tenant farm	46,136,659
Rented ground and houses	323,821,919
Uncultivated fields and lands	7,019,562
Mining	1,172,972
Pasturage and milking	59,170,009
Commerce	826,208,370
Industry	143,972,567
Interest from non-profitable loans and deposits	100,119,098
Dividends	307,430,916
Annuities, salaries, and wages	491,957,861
Bonuses	145,735,934
Various grants and allowances	62,759,442
Miscellaneous business	124,236,500
Labour	13,271,039
Other incomes	83,331,239
Forestry	53,279,530
Total	3,150,683,359
Deduction according to Art. 16 of tne Law	103,799,078
Deduction according to Section 3, Article 16	27,905,367
Grand total	4,884,517,185

Table VII indicates what are the tax-objects in our income tax system, or in other words, it shows what are the individual incomes in this country. By adding those various incomes we can form an idea about the relation between, say, the agricultural income and the commercial and industrial incomes, or the proportion between the earned income and property income. What challenges our special attention in Table VII is the fact that two deductions are made in the third class incomes. Deductions under Article 16 of the Income Tax Law are made where persons under the taxpayer's legal care are under the age of 18 or above the age of 60, or when they are crippled or disabled. The deductions under Section 3, Article 16, of the same law, are made for the insurance premia which have been paid, with the taxpayer, or one of his family or his successor as the beneficiary of the insurance.

The characteristic of the insome tax is that its source as well as the tax-object are both income, is clearly shown in the case of the third-class incomes. For this reason, various rules have been adopted by the lawmakers for third-class incomes in consideration of the quality of income and other characteristics of incomes in general. This is why most financial statistics are made with the third-class incomes as centre. In addition to the rules calculated for lightening the burden on earned incomes, deductions for persons dependent on the taxpayer, deductions of insurance premia, a progressive rate has been arranged for third-class incomes, for the purpose of taxing persons having large incomes more heavily than those with small incomes. A review of the facts concerning the progressive rates in the national tax statistics will show the distribution of incomes among the taxpayers whose incomes come into the third-class income category. The following table shows the classification of third-class incomes, the number of households, the amount of taxes.

Table VIII

Classified Incomes in Third Class Iacomes of 1925

Amount of Income	Number of Households	Total of Income (unit, 1,000 yen)	Total of Taxes (unit, 1,000 yen)
Below 800 yen	34,909	27,927	139
800– 1,000 yen...	411,299	368,135	2,029
1,000– 1,500 yen...	456,780	553,796	4,626
1,500– 2,000 yen...	181,001	313,084	4,070
2,000– 3,000 yen...	153,746	396,282	7,114
3,000– 5,000 yen...	107,250	406,957	11,702
5,000– 7,000 yen...	35,416	208,685	8,008
7,000– 10,000 yen...	22,807	189,075	9,100
10,000– 15,000 yen...	13,823	167,155	10,108
15,000– 20,000 yen...	5,691	97,789	7,057
20,000– 30,000 yen...	4,611	111,520	9,607
30,000– 50,000 yen...	2,820	106,864	11,298
50,000– 70,000 yen...	953	55,722	6,905
70,000– 100,000 yen...	563	46,765	6,564
100,000– 200,000 ven...	440	58,796	9,629
200,000– 500,000 yen...	153	44,756	8,710
500,000–1,000,000 yen...	17	11,020	2,414
1,000,000–2,000,000 yen...	6	7,674	1,831
2,000,000–3,000,000 yen...	1	2,573	672
3,000,000–4,000,000 yen...	1	3,098	829
Total.....	1,432,287	3,150,683	122,423

Tables VII and VIII furnish important data not only for the study of national tax statistics, but also for various other studies.

The tax on *sake* is another tax which stands opposed against the income tax as regards qualities and amount. The income tax is borne in principle by those who actually pay it, but in the case of the tax on *sake*, it is paid by the brewer, who shifts the tax burden (by adding it to the price) upon the wholesale dealer, who passes on the same burden to the retailer, who, again shifts it on to the consumer, who thus ultimately bears the tax on this beverage. Indirect taxes (which have the tax on *sake* as their representative in this country), cannot, as in the case of direct taxes (having the income tax as their representative), directly reach the income. They, therefore, do not suit the desire of the lawmakers to translate their ideals into reality; and, in fact, it often happens that indirect taxes undermine the spirit which the lawmakers have inculcated in the minds of people through direct taxes. In consequence, some radical people advocate the abolition of all indirect taxes. However, the actual situation in the financial world makes their continued existence a necessity. But the difficult question is how to divide taxes into direct and indireet ones. Diversity in standpoint gives rise to most fantastic theories like those advanced by such a man as Lassalle. At any rate, it is notable that the tax on *sake* occupies the first place in point of amount, the receipts from government monopolies and customs duties, the third and fourth places, respectively. The question of proportion between the amounts of direct taxes and indirect taxes constitutes one of the principal topics of financial statistics.

I have passed under review the extent of a study in financial statistics by taking two representative taxes, the income tax and the tax on *sake*. A similar study may be made of other taxes. I shall now consider how great a tax burden our nation as a whole has to bear,

Of various financial statistics published with reference

to the world war, the most noticeable one was that which dealt with an international comparison of tax burdens. The simplest method of indicating the tax burden is to set forth the absolute numbers of the amounts which make up the tax burdens of a country, and to compare them. The second method is to calculate the tax amount per capita or household. The third method is to find out the proportion between the tax burden on the one hand and the national property and income on the other. The second method is used by the Tax Bureau's annual reports, part of which is reproduced in the following table.

Table IX

Domestic Tax Burden for 1919–1924

Year	Household	Population	Domestic Taxes		Per Capita (yen)
			Tax Amount (unit, 1,000 yen)	Per Household (yen)	
1919	10,581,543	56,253,200	755,199	70.9	13.4
1920	10,833,475	56,861,600	662,730	61.1	11.6
1921	10,902,037	56,745,400	694,277	63.6	12.2
1922	11,131,014	57,655,800	782,528	70.3	13.5
1923	11,027,695	58,481,500	705,336	63.9	12.0
1924	11,282,307	59,138,900	765,116	67.8	12.9

Statistics of this sort, of course, have a proper value. But, as I have said of statistics in general, they should not be used to settle all financial problems. When the belligerent nations of the late war studied their own tax burdens in reference to the German reparations issue, it was found that each country produced a set of statistics which contained figures favourable to its own national interest.

Thus, statistics regarding national taxes are not only necessary and useful but also accompany various by-products, so to speak, the more important of which are national proprerty statistics and national income statistics. There are two methods for drafting national property and income statistics, the subjective and objective methods. The subjec-

tive method is also known as the personal method; this method deals with the property and income of persons who pay the income, property and inheritance taxes, in making a study into the property and income of a particular country. In Japan, we have not yet established a property tax; nor has the inheritance tax sufficiently developed; so that we have to resort to income tax statistics if we are to calculate the national property and income of the country by means of a subjecfive method of calculation. In this sense Table VII containing the classified incomes of 1925 furnishes most valuable and relevant data.

Although national tax statistics are most important in financial statistics, they have serious inherent defects. Inasmuch as a tax is exacted by the State or public organisations by coercion, its imposition accompanies pain upon the taxpayer; and the result is that the taxpayer attempts to evade taxation as far as possible and the authorities endeavour to collect as fully as they can. Thus, a tax is the product of the taxpayer's attempt to evade payment and of the authorities' attempt to reach his income; and national tax statistics are formed with this product as their basis. Those who wish to utilise national tax statistics themselves or their "by-products", should endeavour to understand the real nature of the former and should not for a moment make too exacting demands of them.

4. NATIONAL DEBT STATISTICS

National debt statistics occupy an important position in financial statistics similar to national tax statistics. The relation between the State and our financial life is not the same in the case of debts as in the case of taxes. In the former, the element of authority and obedience is stressed, while in the latter case, the element of rights and obligations is emphasised. Both, however, constitute important factors of financial statistics, because, whereas national taxes are representative of ordinary state receipts, national debts form the main extraordinary income of the State.

The first problem that must be settled is the meaning of national debts. In comparing the national debts statistics of nations, unless the term national debts be defined, one is liable to fall into serious errors. If national debts are to be taken as all the liabilities of a State, all debt obligations such as the post office deposits, post office pensions and easy-term life insurance, must be also regarded as national debts. In the narrow sense, however, the term signifies only those state liabilities which have been sanctioned by the Diet. It is in this sense that I shall use the term hereafter.

The Finance Department announces the amount of national debts every month through the official gazette. The total amount of our national debts in July, 1927, was Yen 5,1000,000,000 of which Yen 3,600,000,000, was domestic debts and Yen 1,400,000,000, foreign debts, as shown in the following table.

Table X

Variations of Amount of National Loans (July, 1927)

Name of Loans	Amount outstanding in June (yen)	Amount of Issue (yen)	Amount of Redemption (yen)	Amount outstanding (yen)
5% interest loan	662,995,975	674,775	—	663,674,750
Special 5% interest loan	120,846,850	—	1,000	120,845,850
Class A 5% interest loan	419,537,450	—	—	419,537,450
First 4% interest loan...	170,864,400	—	800	170,863,600
Second 4% interest loan	96,339,700	—	200	96,339,500
5% interest treasury notes	1,929,369,350	10,417,100	100	1,939,786,350
Railway notes	79,999,500	—	—	79,999,500
Temporary treasury notes	169,998,575	—	—	169,998,575
Total of domestic loans.....	3,649,951,800	11,095,875	2,100	3,661,045,575
First 4% interest sterling loan.....	91,338,722	—	—	91,338,722
Second 4% interest sterling loan	234,638,474	—	—	234,638,474
5% interest sterling loan	222,732,300	—	—	222,732,300
4% interest franc loan...	170,228,722	—	—	170,228,722
Third 4% sterling loan...	105,430,637	—	—	105,430,637

Name of loans	Amount outstanding in June (yen)	Amount of Issue (yen)	Amount of Redemption (yen)	Amount outstanding (yen)
6½% interest gold dollar loan	275,117,082	—	—	275,117,082
6% interest sterling loan	244,075,000	—	—	244,075,000
South Manchuria Railway sterling debentures	117,156,000	—	—	117,156,000
Total of foreign loans	1,460,716,940	—	—	1,460,716,940
Grand total	5,110,668,740	11,095,875	2,100	5,121,762,515

As Table X shows, national debts in principle originate with the flotation of loans and disappear with their redemption. Between flotation and redemption there are conversion and consolidation which fact provides an extensive field for statistical investigation.

The inauguration of national debts accompanies conditions for the flotation of loans, the following being the principal ones: the object of the loans, the kinds of bonds, the price of issue, the period of non-redemption, the period of redemption. I shall now study national debt statistics with the conditions of the flotation of loans as the centre.

Table XI indicates the objects of loans.

Table XI

Unredeemed National Loans Classified According to Purposes

Object of flotation	Amount (yen)	Kind
Change of system:		
Abolition of feudal system	97,649,868	5% interest loan, first 4% interest loan, second 4% interest loan, 4% interest franc loan, third 4% interest sterling loan.
Industrial Development:		
Railway construction	1,270,529,755	5% interest loan, class A 5% interest loan, second 4% interest loan, 5% interest treasury notes, railway notes, first 4% interest sterling loan, third 4% sterling loan, 4% interest franc loan, old railway company sterling debentures, South Manchuria Railway Company sterling debentures.

Object of flotation	Amount (yen)	Kind
Harbour construction, canals, highways, mining, steel works, telephone extensions	220,939,647	5% interest loan, first 4% loan, second 4% interest loan, 5% interest treasury notes, first 4% interest sterling loan, 4% interest franc loan, third 4% interest sterling loan.
Total	1,491,469,403	
National Defense:		
Armament expansion ...	81,016,964	First 4% interest loan, second 4% interest loan, first 4% interest sterling loan, 4% interest franc loan, third 4% interest sterling loan.
War	1,944,020,550	5% interest loan, special 5% interest loan, first 4% interest loan, second 4% interest loan, 5% interest treasury notes, first 4% interest sterling loan, second 4½% interest sterling loan, second 4% interest sterling loan, 5%interest sterling loan, 4% interest franc loan, third 4% sterling loan, 6½% interest gold dollar loan.
Total	2,025,037,514	
Financial Adjustment:		
Contraction of currency.	10,599,536	First 4% interest loan, second 4% interest loan, 4% interest franc loan, third 4% interest sterling loan.
Conversion of debts	173,053,380	5% interest loan, first 4% interest loan, second 4% interest loan, 5% interest treasury notes, railway notes, second 4% interest sterling loan, 5% interest sterling loan, 4% interest franc loan, third 4% interest sterling loan, 6¼% interest gold dollar loan.
Tobacco and salt monopolies.....	12,955,983	5% interest loan, first 4% interest loan, second 4% interest loan, first 4% interest sterling loan, 4% interest franc loan, third 4% interest sterling loan.
Administrative and military adjustments	33,287,100	5% interest loan.
Total	234,896,000	

Object of flotation	Amount (yen)	Kind
Reconstruction work.....	47,491,201	5% interest treasury notes, 6½% interest gold dollar loan.
Colonial Enterprises:		
Chosen	197,323,888	5% interest loan, first 4% interest loan, 5% interest treasury notes.
Taiwan	83,585,202	5% interest loan, first 4% interest loan, second 4% interest loan, 5% treasury notes, 4% interest franc loan, third 4% interest sterling loan.
Karafuto	19,070,169	5% interest loan, 5% interest treasury notes.
Kwantung	1,067,668	5% interest treasury notes.
Total	301,046,929	
Grand Total.....	4,197,590,917	

It shows the following: Yen 2,000,000,000 for national defense purposes; Yen 1,500,000,000 for industrial development; Yen 300,000,000 for colonial enterprises; Yen 200,000,000 for the adjustment of public finance; Yen 100,000,000 for the change of various systems; Yen 50,000,000 for reconstruction work. Division into productive and unproductive loans can be made with the foregoing classification as its basis. However, it must be borne in mind that the purposes herein mentioned for the loans do not necessarily correspond to reality; and that in some cases it often happens that the original purposes are later replaced by new ones in the course of time.

Of the various kinds of loan, the chief division is between domestic and foreign loans. The difference is due to the difference of territory in which loans are floated, but the distinction can be made by showing in the face of the bond or notes either domestic currency or foreign currency according to the provenance of the loan. Table XIII compares the principal and interest of domestic and foreign loans.

Table XII

Principal and Interest of Domestic and Foreign Loans (unit, 1 yen)

	1921	1922	1923
Unredeemed amount:			
Domestic loans	2,184,855,425	2,450,105,450	2,576,197,900
Foreign loans	1,359,015,411	1,358,556,042	1,621,393,017
Total	3,543,870,836	3,808,661,492	4,197,590,917
Amount of Interest:			
Domestic loans	106,557,830	119,823,614	126,129,753
Foreign loans	59,669,259	59,650,884	77,307,131
Total	166,227,089	179,474,499	203,436,884

The territory in which loans are floated indicates the location of claims in addition to providing the basis for dividing loans into domestic and foreign. In the case of foreign loans, the territory in which they are floated means much practical utility. Unlike domestic loans, a foreign loan's effects upon international accounts are important. The floating of a loan means a receiving of payment for the country floating it, while the payment of interest means settling an account. Thus foreign loans form an important item in the so-called invisible trade, and together with the "visible trade" in foreign trade greatly affect international accounts. In the field of international politics also, domestic and foreign loans have different effects. In time of war, creditor nations assume towards a belligerent that is a debtor nation, such an attitude as not to prove detrimental to her interests, because they want to protect their own interests. This is why a nation which finances a war by domestic loans alone runs the risk of standing in isolation. At the same time, it often happens that debtor nations are dragged into a war by a creditor nation. In the case of non-fulfilment of debt obligations, domestic loans are not likely to give rise to any international complication as is possible in the case of foreign loans. A recent example of the latter is found

in the case of Soviet Russia whose declaration that she would not hold herself responsible for loans incurred by the Czarist Government to bourgeois nations, has resulted in the disruption of her economic relations with other nations. It is interesting to note that, whereas the public finance of Great Britain and of France, both of whom derived war funds from foreign sources, is still in a difficult position because of their debt obligations towards the United States, that of Germany, who financed the war essentially by her own

Table

(a) Details of the 5% Interest National

	"Su"	Second	Third	Fourth	Fifth
Issue price	Cash 92.00 Substitutes 91.50	92.40	Cash 91.75 Substitutes 91.25	91.60	98.25
Time of Redemption	Dec. 1, 1929	June 1, 1929	March 1, 1930	June 1, 1930	June 1, 1924
Interest rates	5%	5%	5%	5%	5%

(b) High Interest Rate National Loans

Interest Rate	6½%	6%	5%
Amount of Loan	294,036	244,075	3,369,860
Amount of Interest	19,112	14,644	168,493

Unlike national taxes, it is the nature of national loans that they do not involve coercion. In consequence, in national loans consideration of interest plays a greater part than does patriotism or sacrifice. Persons select national bonds from among many other business propositions such as realty, personalty, stocks and debentures, etc., if national bonds are likely to yield a greater return for the investment. Thus, the question of the interest of national loans is a question

domestic loans, is enjoying an apparent well-settled stability. When a nation is to decide whether to float domestic or foreign loans, all things being equal, the conditions of foreign and domestic financial markets should be the criterion of such a decision. It is desirable that loans should be floated in a country whose financial market is easy, and they should be redeemed when the market is tight.

I shall now compare interest rates and the issue prices of national bonds and notes.

XIII

Treasury Notes Issued in 1923

Sixth	Seventh	Eighth	Ninth	Tenth	Elevnth	Twelfth
Cash 91.25 Substitutes 90.75	91.70	97.50	Cash 96.75 Substitutes 96.25	91.80	98.05	90.00
Sept. 1, 1930	June 1, 1930	March 1, 1925	Dec. 1, 1925	June 1, 1930	March 28, 1925	June 1, 1932
5%	5%	5%	5%	5%	5%	5%

(at end of 1925, unit, 1,000 yen)

4½%	4%	2%	1 sen 7 rin per diem	Total
68,341	879,515	70,288	100,000	5,026,115
3,075	35,180	1,405		241,911

of business advantage for debtor governments as well as for creditor nations. The interest of national loans can be classified, according to different standards, into the following: first, ordinary interest and discount interest; secondly, formal interest and real interest, the latter being subdivided into simple yearly percentages of yield and redemption percentages of yield. Except in the case of short-term national loans, the ordinary interest rate, rather than the discount interest

rate, is adopted. By formal interest rate is meant such rate as 5% which is given in Table XIII (b), a nominal price. On the other hand, real interest rate is a conditional one; for instance, in the case of a 5% interest, if the issue price of national bonds is above par, real interest rate will be below 5%, and if the issue price is below par, it will be above 5%. Thus, in the case of the real interest rate, real elements are taken into consideration in addition to the nominal price. And, as Table XII (a) indicates, in the majority of cases, issue prices do not coincide with face values. This is why a study of the real interest rate as well as of the formal interest rate, becomes necessary. As has been said, the real interest rate can be divided into simple yearly percentages of yield and redemption yearly

Table

Monthly Payments of the Interest of

	Amount of Debts (1926)	Amount of			
		Jan.	Feb.	March	April
Domestic	3,525,900	—	—	37,064	—
Foreign	1,500,215	13,513	11,020	5,582	—
Total	5,026,115	13,513	11,020	42,647	—

The total amount of the interest of national loans in 1926 was Yen 240,000,000 or 4.8% of the total amount of loans, Yen 5,000,000,000.

The conversion of national loans is nothing but a change in the condition of issuing loans and for this reason is of varied nature. However, its outstanding important fact is the rewriting of high interest rate bonds into lower interest rate bonds. In this sense also the relation between the interest rate of the general money market and that of national loans should be carefully noted. National loans are redeemed upon maturity either by lot or purchase by the

percentages of yield. The former shows the proportion of the formal rate of bonds to the issue price (or to the prevailing price), while the latter is produced by taking into consideration the difference between the issue price (or the prevailing price) and the redemption price, in addition to the poportion just noted in the case of the former. The redemption rate is again divided into the following two; simple interest and compound interest. Because of this diversity in the interest rates of national loans, it is necessary that matters affecting them should be carefully examined.

Table XIV shows the monthly payments of the interest of national debts, as the times of such payment greatly affect the nation's finance as well as the money market.

XIV

National Debts (1926) (unit, 1,000 yen)

Interest								
May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
—	46,190	—	—	37,064	—	—	46,190	166,509
3,416	4,168	13,513	11,020	5,582	—	3,416	4,168	75,401
3,416	50,358	13,513	11,020	42,647	—	3,416	50,358	241,911

State. Considered from the standpoint of the State only, it is desirable that the drawing of lots should be used in case the prevailing price of national bonds is above par; but in case the price is below par, the bonds should be purchased. The long-term or shont-term bonds depend upon the length of non-redemption, and if the bonds are redeemed at a point between the times of non-redemption and of redemption with voluntary consent, the system is known as the free redemption system; on the other hand, if they are redeemed compulsorily, it is called the compulsory redemption system.

The classification into short-term and long-term loans

roughly corresponds to that of floting loans and fixed loans. The most representative of short-term loans are Finance Department notes and calls. The former are intended to make up the deficit of the national treasury in a fiscal year. But in the case of ordinary loans, their periods of non-redemption and of redemption are quite long, and the perpetual loans have no specified period of redemption. In time of financial difficulty, a State cannot float long-term loans, and is tempted to issue short-term ones, rather indiscriminately thereby intensifying the financial situation. In making a statistical study into war-time finances, one should especially note the way in which short-term and long-term loans are floated.

Divergent views pro and con have been advaneed regarding the two systems of free and compulsory redemptions. In Japan the law requires that loans to the amount of one hundred and sixteen ten-thousandth of the total amount of loans of any given year plus more than one fourth of the surplus of the year before the preceding year, should be compulsorily redeemed. In 1927, the amount of the first was estimated at Yen 54,000,000, and that of the second, Yen 44,000,000, the total being Yen 98,000,000. Some regard it as foolish that a State should redeem old loans with the right hand and then at the same time float new ones with the left. This criticism is met by the argument that, inasmuch as the fact of redemption increases the confidence of the public in the financial ability of the State, the expence of floting new loans is amply made up, and, therefore, should not cause any criticism. It is interesting to study how the two systems affect the state finance.

I have so far dealt with national debt statistics, with special attention to the conditions for floting loans. National debts should be examined, in connection with, and separate from, the question of national taxation.

5. LOCAL FINANCE

In an extremely centralised nation, all the functions of

a State may be administered by the Central Government and all revenues may also be collected and all disbursements may be defrayed, by the single Government. On the other hand, in an extremely decentralised country, all such functions may be administered by autonomous local governments. But as a matter of fact, no such extreme State or local governments really exist, and therein lies the necessity of a division of the functions and duties including financial matters, between the State on the one hand, and the local governments on the other. How shall this division be made? There are two principles concerning this division. When the functions are divided between the two governments and the burdens are also divided, it is called the principle of separation; on the other hand, where there is mutual accomodation between the two, it is called the principle of mixture. Like many other countries, Japan adopts the latter principle. Great diversity is shown in the forms of different states and other public organisations, due to particular historical circumstances and formal causes. It behooves one, therefore, wishing to study local government finance first to study the organisation and history of local governments. Mere study of figures is never enough.

There are the following local governments and organisations in this country: fu, ken (prefectnres), cities, towns, villages, water work associations, earthwork associations. The following table shows the expenditures of those local bodies.

Table XV

Comparative Figures of Expenditures (unit, 1,000 yen)

Fiscal year	Fu and Ken (prefecture)	Gun (canton)[1]	City	Town and village	Water works (including earth works)	Total (water works omitted)
1911.....	91,999	10,013	105,298	122,155	6,008	336,475 (330,467)
1921.....	323,847	43,466	324,225	386,910	14,080	1,092,530 (1,078,450)
1922.....	374,081	71,842	387,572	455,399	20,233	1,309,129 (1,288,896)
1923.....	407,184	—	420,549	426,019	21,354	1,275,107 (1,253,753)
1924.....	414,660	—	452,153	439,285	21,591	1,327,691 (1,306,100)
1925.....	341,572	—	610,373	403,999	19,935	1,375,880 (1,355,944)
1926.....	379,129	—	671,907	442,920	25,175	1,519,133 (1,493,958)

The preceding table (Table XV) merely gives the total amount of yearly expenditures. Table XVI gives the distribution of the expenditures among different enterprises.

Table XVI

Comparative Figures of Local Expenditures (unit, 1,000 yen)
(Budgetary estimates of 1926)

Items of Expenditure	Prefecture	City	Town and village	Total (Water works included)	
				1,000 yen	‰
Education	95,741	85,243	210,586	391,571	258
Public works.....	97,110	79,582	35,999	261,198	172
Health.....	8,554	82,911	19,418	110,884	73
Encouragement of industry	39,316	23,140	7,535	69,991	46
Social enterprises	2,764	10,035	2,355	15,156	10
Electricity and gas.....	—	135,735	2,377	138,112	91
Police	73,072	(fire brigade) 1,915	(fire brigade) 7,449	73,072	48

[1] Since 1923 the Gun (Canton, rural division, or a division of Fu and Ken) as a local organisation is abolished.

Items of Expenditure	Prefecture	City	Town and village	Total (Water works included)	
				1,000 yen	‰
Government office	10,081	23,571	77,134	110,788	73
Salaries of officials.....	6,923	(city planning) 35,008	—	6,923	4
Assembly	1,864	1,222	3,478	6,928	4
Loans	26,975	152,466	17,216	203,140	134
Tax collection	7,061	8,590	2,550	7,061	5
Accumulation of properties.....	—	11,680	28,262	40,349	27
Miscellaneous	9,662	20,803	28,555	83,954	55
Total Expenditure ...	379,129	671,907	442,920	1,519,133	1,000

Those who assert that our National Government fails to spend much for educational purposes because the total amount of expenditure for the Department of Education is small—the amount of the Department's expenditure for 1927 is Yen 140,000,000 or eight per cent of the total of Yen 1,760,000,000—will be surprised to find in Table XVI the fact that in the case of the expenditures of all local bodies, the educational item constitures 26 per cent and that in those of towns and villages, it constitutes nearly 50 per cent. The table explains why foreign people are surprised by the magnificence of school buildings in the rural districts.

Now what is the most important revenue in the finance of our local governments and organisations? Table XVII answers this question.

Table XVII

(a) Classified Local Revenue Receipts for 1926 (unit, 1,000 yen)

	Prefecture	City	Town and Village	Total
National surtaxes:				
The land surtax	75,343	5,035	39,337	
The business surtax	26,595	28,430	12,850	
The income surtax.....	5,792	14,123	8,344	
The mining surtax	392	20	315	
The exchange surtax	153	214	0.57	

	Prefecture		City	Town and Village	Total
Special taxes:		Prefectural surtaxes:			
The household duty	48,308	The household surtax	9,787	155,474	
The house tax	9,629	The house surtax	16,989	8,538	
The business tax	9,114	The business surtax	3,177	5,538	
Miscellaneous taxes	55,352	Miscellaneous surtax	18,774	31,751	
Quotas of cities, towns, and villages	9,157	Special Taxes:			
		The land rate	304	4,578	
		The household rate	94	111	
		The house rate	8,467	137	
		The realty transfer tax	2,640	0.54	
		The income tax	120	8	
		Other taxes	7,368	631	
		Labor duty paid in kind (converted)		1,108	
Total	239,748	Toral	115,548	268,728	624,025

(b) Non-revenue Receipts (unit, 1,000 yen)

	Prefecture		City	Town and Village	Total
Property receipts	1,361	Receipts from property	8,188	18,239	
Rents and fees	27,787	Rents and fees	153,904	14,894	
		Grants out of national taxes	3,251	5,141	
		Grants out of prefectural taxes	1,408	4,610	
Grants from the National Treasury	20,702	Grants from the National Treasury	5,345	40,430	
Subsidies and subventions granted by the National Treasury	26,720	Subsidies granted by the National Treasury	38,638	397	
		Prefectural subsidies	7,105	11	
Donations and gifts	7,449	Donations and gifts	3,521	11,209	
Prefectural loans	17,967	Municipal loans (town, village)	215,456	16,130	
Petty accounts	3,174	Charges for outlays	2,780		
		Compensation	2,707		

	Prefecture		City	Town and Village	Total
Carried over from preceding year ...	8,650	Carried over from preceding year...	43,763	24,216	
		Money transferred.	6,943		
		Proceeds from sales of property	15,592		
Other receipts	25,609	Miscellaneous	52,013	27,359	
Total.....	139,424	Total	560,621	174,097	874,142

It divides receipts into revenue receipts and non-revenue receipts, and gives the contents of local revenue. This division is the most important fact in Table XVII. The table shows that revenue receipts in various prefectures (do, fu and ken) constitute more than sixty per cent of their total revenue, while in cities, it is not more than twenty per cent. I shall pay special attention to the general revenue receipts and local loans and subsidies in the non- revenue receipts.

As the result of the tax system reform of 1926, following local taxes have been adopted:

Prefectural taxes:

National surtaxes (the land tax, the business profit tax, the income tax, the mining tax, the mineral zone tax, the exchange tax).

Special taxes (the special land tax, the house tax, the business tax, miscellaneous taxes).

Taxes of cities, towns and villages:

National surtaxes (the land tax, the business profit tax, the mining tax, the mineral zone tax, the exchange tax).

Prefectural surtaxes (the special land tax, the house tax, the business tax, miscellaneous taxes).

Special taxes (the household tax and special taxes of city, town and village).

Thus, our local tax system is made up jointly of special taxes and surtaxes. First national taxes are calculated and then the local surtaxes are decided upon with the former as their bases. This is why an objection has been made to

the proposed plan of transferring the land tax from the National Government to the governments of towns and villages, on the ground that after the plan has been put into effect, the prefectural lank surtaxes must be based upon the town and villages taxes—a system involving the overturning of the whole scheme.

Table XVIII contains the tax burdens divided between national and local taxes for the years 1919–1924, receipts from customs duties being excluded.

Table XVIII

National and Local Taxes

(a) Total Amount (unit, 1,000 yen)

Year	National Tax	Prefectural Tax	Town and Village Tax	Total	‰		
					National Tax	Prefectural Tax	Town and Village Tax
1919	755,199	146,322	230,973	1,132,495	667	129	204
1920	662,730	191,991	328,239	1,182,961	560	162	278
1921	694,277	224,414	362,912	1,281,603	542	175	283
1922	782,528	241,124	394,870	1,418,523	552	170	278
1923	705,336	244,271	361,502	1,311,110	538	186	276
1924	765,116	249,885	374,744	1,389,745	551	180	269

(b) Tax Burden Per Household (yen)

Year	Nrtional Tax	Prefectural Tax	Town and Village Tax	Total
1919	70.92	13.82	21.82	106.58
1920	61.17	17.72	30.32	109.21
1921	63.68	20.58	33.28	117.55
1922	70.30	21.66	35.47	127.43
1923	63.96	22.15	34.78	120.89
1924	67.81	22.14	33.21	123.17

The tendency in recent years is that, whereas the burden of the national taxes (exclusive of the customs revenue) has remained almost the same both in amount and pro rate of households, the pressure of local taxes has manifested an enormous expansion. This is why a study of local taxes is important.

Table XIX gives the amount of local loans classified according to the different bodies issuing them, their objects, and their interest rates for the years 1920 to 1925.

Table XIX

Local Loan (unit, 1,000 yen)

(a) Classified according to different bodies.

Body issuing loan	Prefecture	Canton	City	Town and Village	Water Works (earthworks)	Total
1920.....	110,664	3,788	356,247	29,008	9,850	509,559
1921.....	132,824	4,364	465,767	39,113	12,337	654,407
1922.....	165,152	2,477	547,217	55,254	18,181	788,283
1923.....	193,204	—	624,844	81,655	24,826	924,532
1924.....	269,116	—	727,747	95,597	26,677	1,119,139
1925.....	282,474	—	839,746	115,699	30,022	1,267,942

(b) Classified according to different objects.

Objects	Education	Health	Industry	Emergency Public Works	Ordinary Public Works	Electricity and Gas	Social Enterprises	Other items	Total
1920.....	29,709	83,475	3,171	70,104	85,345	197,511	21,962	18,278	509,559
1921.....	47,305	114,001	6,447	71,543	134,891	236,200	32,484	11,530	654,407
1922.....	62,919	148,006	33,716	84,075	141,549	243,131	45,660	29,441	788,283
1923.....	79,344	132,463	10,960	86,648	139,445	305,953	61,451	108,292	924,532
1924.....	94,159	137,636	25,417	114,743	208,839	373,423	90,296	74,568	1,119,139
1925.....	102,777	160,986	21,561	104,190	210,604	408,657	124,124	135,040	1,267,942

(c) Classiffed according to interest rates.

Rate	Free of int.	Below 5%	Above 5%	Above 6%	Above 7%	Above 8%	Above 9%	Above 10%	Total
1920.....	15,548	74,000	252,866	120,102	24,428	20,592	1,691	326	509,559
1921.....	14,482	81,213	282,814	166,342	74,397	28,103	6,655	397	654,407
1922.....	20,588	97,899	273,406	215,471	105,157	63,893	11,260	605	788,283
1923.....	17,681	141,344	294,732	222,098	115,951	110,077	19,541	3,105	924,532
1924.....	26,847	163,619	311,133	214,320	221,460	156,418	22,178	3,160	1,119,139
1925.....	20,363	182,386	361,006	282,310	291,747	106,817	20,348	2,962	1,267,942

The total amont of local loans at the end of 1924 was estimated at Yen 1,100,000,000. This is no small amount when it is remembered that the total amount of national loans in the corresponding year was something like Yen 4,200,000,000. Of the total of Yen 1,200,000,000, for 1925, municipal loans lead

the list in point of amount by their Yen 840,000,000, followed by Yen 280,000,000 for prefectural loans and Yen 110,000,000 for town and village loans. Classified according to objects, electric and gas enterprises lead the list with Yen 400,000,000, followed by Yen 210,000,000 for ordinary public works, Yen 160,000,000 for health, Yen 120,000,000 for social enterprises, Yen 100,000,000 for emergency public works, Yen 100,000,000 for education and Yen 20,000,000, for the encouragement of industry. It challanges special attention that the loans for electric and gas enterprises amounted to Yen 400,000,000, that the amount for social enterprises increased by six times and that the amount of loans for educational purposes trebled during the last several years. The rates of local loans are usually higher than those of national loans. Moreover, whereas national bonds are exempted from taxation by Act Number 34, adopted in March 1905, local bonds are subject to the income tax, falling under Second Class A, and are thus placed in a highly disadvantageous position as compared with national bonds. These things should be carefully considered from the standpoint of finance and investment.

Thus it becomes clear that a study of local public finance is very important in financial statistics. The connecting link between national and local finances are subsidies which are non-revenue receipts on the part of local governments and organisations. This matter should also be carefully studied. The subsidies include such non-revenue receipts as the following: grants from the National Treasury, subsidies proper and subventions, etc., as given in Table XVIII. The question of increasing the National Treasury's subsidies for education to local governments has recently become a burning political issue in this country. The subsidies in question were increased from Yen 10,000,000 (in 1918) to Yen 75,000,000 in 1927. At present one half of the total amount of the salaries of primary school teachers is borne by the National Treasury.

The total amount of revenue and expenditure of the country in 1925, after deducting all duplications such as

the National Treasury's subsidies and grants to local bodies, is estimated at Yen 4,600,000,000. This is am important figure in the study of financial statistics of this country.

6. CONCLUDING REMARKS

I have made a study into Japan's financial statistics from two angles, national finance and local finance. I have endeavoured to point out the significance of financial life in economic life in general, and what position financial statistics occupy in economic statistics.

There are some people who argue that the national expenditure should be reduced to one-third of the present amount. It may be possible to cut down the amount to one-third but such a reduction will not be maintained for any length of time. It is a moral certainty that such a reduction should be followed by an increase. The financial life of a nation may be temporarily somewhat narrowed, but since the natural expansion of the functions of modern states inevitably accompany an increased national expenditure, it is impossible to narrow the financial life of any modern nation; such an artifice will be quickly followed by an expansion. Thus, the importance of financial life is increasing every day.

In the past the study of the financial legislation, especially the taxation laws, of nations, was regarded as important in the field of financial investigation; by this method scholars endeavoured to formulate some principles or laws. But such legislation is merely the result of what lawmakers thought things "ought to be," and not what they "really are." It may be said by way of illustrating an extreme case, that a formal income tax can be established in a lonely uninhabited island; and a business profit tax may be applied to agriculture. But what is more important is to see whether given systems are really put into effect and found workable, or exist only on paper. The difference between the two is important indeed. To see whether or

not taxation laws or financial laws are really practicable and enforced, one must go beyond the law books. He must invoke the aid of figures. Therein lies the importance of financial statistics.

Of course, I do not mean to settle all financial questions by mean of statistics alone. I often see persons compare the percentage of the defense items of the United States Government expenditure with that of our own government. Such a comparison may not prove entirely fruitless. But it cannot be the sole key to the solution of all the problems involved. Such a comparison will be as absurd as comparing the percentage of a rich man's expenditure to his general income with that of a poor person. Too great importance should not be attached to figures, even in statistics. Grasping of real facts is more important. To compile accurate statistics and to place proper limits to their application—these should contribute towards the sane development of financial statistics.

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