

GET RICH QUICK SCHEMES

July 29.

MUCH has been heard in past weeks concerning the stock and produce exchanges which have been springing up like mushrooms in Shanghai. A great deal more is now coming to light, but the full story will not be told until the inevitable crash occurs. A more perilous state of affairs has seldom existed in China. With so much chauvinism abroad it might have been thought that the best elements would be deeply concerned with the rehabilitation of their once proud nation, but instead we see that the very people who should be striving for this end with honesty of purpose and unfaltering determination find a more congenial occupation in promoting get-rich-quick schemes. Without exaggeration it suggests the parallel of Rome in one of her hours of direst peril—merchants haggling and driving hard bargains and contractors cheating the army when a hostile force was at her gates. At a time when every effort is required to restore the trade of the country to the normal, to recover from the pernicious effects of a period of reckless overtrading, these people are threatening to swamp all legitimate endeavour with a wave of gambling. Some of it is a mere game of pitch and toss with nothing at stake except their own paltry credit and money, if they have any. Let them lose both and nobody will mind so long as they do not drag others down in their crash. But that is not the whole matter by any means. Some are also using commodities in daily consumption for their gambling and speculation, in addition to their other operations, and if allowed to go on unchecked, they will push up the price of these articles and consequently the price of living. If there is a public opinion in China, it should combine with the merchant carrying on a legitimate

trade to combat this crying scandal.

As has already been pointed out, some of these exchanges deal in purely hypothetical stocks of produce in their operations, and quote prices at which nobody buys the actual material. The best example of this is to be seen in China cotton, which has recently risen to such a figure that consumers have taken the line of ignoring it and importing their supplies from other countries. Where, however, the members of these exchanges have actual stocks to deal with, a very real danger occurs. We have the authority of one well versed in the spinning industry for saying that operations on the exchanges have brought the price of local yarn to a figure about five taels above what it might reasonably have been expected to reach. This is, perhaps, not a very serious increase, and the local mills are benefiting thereby. At the same time the final consumer is paying so much more for the yarn or cloth which he wants, and this is not altogether good for trade in general. A more serious state of affairs, however, has occurred in connexion with iron. The formation of an exchange for dealing therein was the signal for a deliberate and well-planned attempt to engineer a corner. Foreign firms importing iron were approached to join in the exchange, presumably with the object of making the corner the more effective, and there is little doubt that, had they consented, prices could have been raised to a figure which would have spelt ruin for many honest traders throughout the country and increased the cost of all building and construction work. The whole thing seems to have been absolutely immoral, and it is matter for congratulation that the foreign firms took a very firm stand against having anything to do with the scheme. One class of the community taking an active part in such ventures as these comprises the inexperienced men who during the prosperous times of eighteen months ago took a hand in all manner of business, lured thereto by the great profits in sight. To-day their genuine business is practically nothing, but still imbued with the craze to make money without hard work, they resort to this business of gambling. Fortunately the old-established,

substantial people have in the majority of cases refused their assistance, and so in a measure the evil has been curbed.

Only in a measure, however, we fear. This craze for gambling is the most demoralizing thing in the world, and there must always be the danger that the good class merchant will succumb to it. Indeed there is no certainty that a proportion of this class is not already entangled, though happily it must be only a small number. Were it to become general, business would have to look forward to a crisis the like of which it has not faced in the past. As matters stand we must prepare ourselves for some critical times. For instance, should there be a collapse in these cotton yarn transactions, it does not mean that yarn would then return to what might be considered a correct economic figure. On the contrary, the probability is that prices would descend to a ruinous depth, and everybody interested in the trade, whether as dealers, spinners or shareholders, would have to suffer. And why? All because the new generation is infected with the old madness of imagining that fortunes can be made without hard work. The principal offenders are the type of people who did so much damage to the commercial situation a year and more ago with their mushroom enterprises, but it is rumoured that Chinese with an inadequate degree of foreign education are also largely implicated. The only encouraging sign is that Chinese public opinion, as expressed in their own newspapers and in our columns as well, condemns the craze. If this opinion can only continue to agitate on the matter, much may be done to resist and restrict the evil, and that is what we must hope for. It does not appear likely that the law can step in here, for while it will certainly not assist these gamblers to reap their ill-gotten harvest by any legal processes, it can hardly exercise so definite a restraint as to prohibit all doubtful exchanges. Even if it could, they would simply crop up again in another guise. Public opinion must be encouraged in its condemnation of these practices, and the whole community engaged in legitimate business, must refuse all dealings with these people.