

## AN OPTIMIST AND THE DEPRESSION

Dec. 4.

BUSINESS men in China must have been more than surprised to read last week a telegram to the effect that Sir Edwin Stockton, speaking at Manchester, had expressed optimism in regard to the business outlook. "China and the Near East," he said, "showed a promise of returning to normal conditions. Dear goods were gradually being liquidated and stocks of English textiles held there were but small." We cannot lay claim to any qualification to speak regarding business conditions in the Near East, but in view of the unsettling influence of the Turkish victories, the burning of Smyrna and the wholesale exodus of people from several important areas, we should hardly incline to look for any great trade possibilities there for some time to come. As for China we are perfectly unable to find the grounds on which Sir Edwin Stockton bases his opinion. The depression which set in over eighteen months ago continues, and the oft-expressed hopes of a change for the better have invariably been disappointed. There have been moments during this period when the outlook has seemed to be brighter, but it has flattered only to deceive. On every occasion when confidence in the business situation seemed to have been restored to a point at which merchants were willing to trade freely, some untoward event has intervened to cause one more set-back. A variety of factors have been at work to bring about such a state of affairs and to convert the original depression into what might almost appear to be chronic stagnation. We must remember too that this is not the case with foreign trade only, but the depression in local industries is so deeply marked that before the China New Year settlement arrives some concerns may find difficulty in arranging their finances.

Regarding China's position in regard to the textile trade, of which Sir Edwin Stockton spoke, it should be stated that she is not at present in a position to make the purchases which would help towards a revival of business in Manchester. Not so many months ago, however, she did purchase a moderate quantity of goods at prices which showed a profit to

the manufacturer and shipper, but the drop which has since taken place in exchange has put a stop even to that amount of business, and it is calculated that the prices the Chinese dealer is able to pay now are from ten to twenty per cent. below producing costs. That in itself would seem to be a factor sufficiently serious to qualify Sir Edwin Stockton's optimism. Of course, if one could point to a brisk condition of affairs in China's native industries it would be reasonable to assume that such discrepancy in price was but a temporary phase, and with plenty of money in circulation the actual consumer of the goods would at no distant period be prepared to pay the higher values. Unhappily there is no such healthy spirit in the business situation. On the other hand it faces such difficulties that only the supreme genius of the Chinese merchant for commerce enables it to carry on at all. That genius, however, is powerless to surmount some of the present-day obstacles. It cannot bring Shensi cotton to the mills of Shanghai where money is waiting to buy it, because apparently only an armed force could convoy it through the cordon of bandits waiting to levy blackmail upon it, and in similar fashion the mills here are unable to send their yarn to such a place in the interior. While these conditions prevail it will be futile to talk of any real trade revival.

While we have referred to the adverse influence which falling exchange has had upon the foreign import trade of China we must continue to emphasize that the main and by far the most important factor in the whole situation is misgovernment with its attendant lawlessness. Brigandage is not confined to one part of the country, for while it is widespread in such a province as Honan, there are signs of it as near at hand as Ningpo. In the latter place small shops on the outskirts of the city, formerly in the habit of carrying stocks of foreign textiles worth ten or fifteen thousand taels, are no longer prepared to do so. Practically nothing but the day's requirements are kept on hand so that in the event of a raid by banditti or soldiery out of hand losses may be reduced to a minimum. So much for one aspect of the prevailing misgovernment. The long drawn-out series of Cabinet crises in Peking has

probably just as much influence in keeping trade at a standstill, while it is notorious that the quarrel between Wu Pei-fu and Chang Tso-lin, expected as it is to break out into open hostilities before the spring is well advanced, has utterly robbed the Chinese business community in the north of all confidence. The student of business conditions in China must be equally a student of politics, and we fear that, in common with so many people the world over, Sir Edwin Stockton has not given due regard to the political aspect. If he had he would see little to make him sanguine over the outlook.