

THE CHINA NEW YEAR SETTLEMENT

Feb. 8.

THE China New Year settlement is proceeding in comparatively uneventful fashion. Notwithstanding the steady drain on Shanghai's silver stocks during the past year for the purpose of providing the inhabitants of the interior with hard cash as a substitute for too frequently depreciated notes, the native banks are well enough supplied with funds to meet the requirements of their *clientèle*. Although prosperity was very largely absent from business during the year and losses have been incurred in many directions, the great majority of the merchants appear to be in a position to tide over this settlement, and up to the present only one failure

worth mentioning has been announced, this being a piece goods firm whose liabilities are stated at two and a half lakhs. This absence of heavy failures among Chinese puts the period now rapidly drawing to a close in sharp contrast to its immediate predecessor. In 1921 losses and bankruptcies were widespread by reason of the calamitous drop in exchange, and business remained thoroughly disorganized until the situation thus created could be liquidated. Happily 1922 was hardly at all concerned with this liquidation, but it had troubles enough of its own. At times the consuming centres of the interior showed an intention to do business, but the general unrest prevailing throughout the country could not fail to restrict that and consequently create an almost constant depression in trade. Two classes of merchants, those engaged in the silk and tea businesses, are believed to have experienced a profitable year, but otherwise operations have been confined between narrow limits and in a great many cases losses have been the order.

In looking over the causes responsible for this lack of prosperity we come to the familiar story of misrule, and try as we may, we fail to find any other calling for serious consideration. For instance, except in certain areas, the spring crops were good throughout the country, and naturally the country people at once made preparations to make their purchases of much needed goods. Consequently business assumed for a period an aspect of briskness, but unfortunately this was short lived. As usual the soldiers were found to be out of hand, and the result was a rapid cessation of operations. When goods in transit not only have to meet heavy likin charges but also run an hourly risk of being requisitioned by unruly soldiers or looted by their friends the banditti, merchants are forced to the conclusion that their business is altogether too precarious to be justified. We see here the reason why prices in China have failed to adjust themselves to values elsewhere but instead continue to lag from ten to twenty-five per cent. behind. At the beginning of the year stocks of various imported commodities had accumulated to some extent in Shanghai, but meanwhile prices were steadily rising at the producing centres, and local holders saw no reason to dispose of their cargoes at the

figures ruling locally, in other words at almost sacrifice prices in relation to replacing costs. Then again the difficulty of getting these stocks into the hands of the actual consumers was so marked that the volume of business was further and severely restricted, so the law of supply and demand could get no chance to operate freely. The actual consumers found themselves compelled, through the impossibility of obtaining the goods they wanted, to keep their requirements down to a minimum, and in the circumstances no business of sufficient volume was transacted to enable higher price levels to be established, whatever may have happened in individual cases. Accordingly China to-day is still faced with the problem of how to adjust her own and foreign values.

Such an adjustment would come naturally with the re-establishment of trade on a normal footing. If commodities could once more move freely between the different provinces and ports enough money would be forthcoming to pay the prices which manufacturers to-day are compelled to charge because of the generally higher cost of raw materials and wages, and the much desired adjustment would become a comparatively simple matter. This adjustment we believe to be the greatest desideratum for the new year, but when we come to inquire into its probability, there is not a great deal of ground for optimism. It depends firstly on the political state of the country and then on the question of the food of the people. Our up-country correspondents have dealt so much with the absence of rain and the dire effects a continuance of the drought may have upon the crops, that we are unable to ignore the possibility of a serious shortage of food in the country in coming months. Every day's prolongation of the dry weather becomes a still more dreadful menace to the country, and should it unhappily come to the worst there can be no hope of a revival in business for a long time to come. The political sky is even blacker, and realizing the nature of the task comprised in ridding the country of its incubus of soldiery, merchants are not at all sanguine over the prospects. Unfortunately they know the situation only too well to be greatly deceived. The pity, in fact the crime of it all, is that the interior is so bare of the arti-

cles it wants and is in the habit of using, and which it is to-day anxious to obtain. The local business situation is so adjusted as to be able to meet the immediate needs of such districts, were it possible to do so, but beyond that it could not go, the fact of the matter being that in the majority of cases orders to Home firms have not been sent for some time for the reasons stated above. We can see how the economic position of the country would mean work for a great number of factories at Home, but that there is little prospect of that at the moment, nor will there be until a drastic change in the internal political position is effected.
