

**JAPAN'S FOREIGN EXCHANGE AND HER
BALANCE OF INTERNATIONAL
PAYMENTS**

WITH SPECIAL REFERENCE TO

Recent Theories of Foreign Exchange

BY

S. Y. FURUYA

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

IN THE

FACULTY OF POLITICAL SCIENCE

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PREFACE

DURING and after the World War, exchange was one of the popular topics of discussion which demanded clear thinking. Practically all nations except the United States suffered from dislocated exchanges. Yet the theories as to the causes and remedies of these abnormal exchanges differed a great deal among the writers of different countries. Cassel, Keynes and most of the English economists have supported some form of the purchasing-power-parity theory, while other European economists adhered to a "speculation" theory, a "budgetary" theory, or a "reparation" theory. American economists were also divided in their opinions. But not all were satisfied with the line of thought developed by Viscount Goschen, Ricardo and J. S. Mill, for the classical theory of foreign exchange did not throw sufficient light upon the explanation of recent exchange movements. To say that exchanges are determined at the juncture of supply and demand is easy. But the matter is not quite so simple. We want to go a step farther, and ascertain what are the real conditions that determine supply and demand.

Various surveys of actual foreign exchange history have been recently made in different countries, but very few agree as to results. Taking this opportunity, the writer presents in the following study the Japanese case. Not belonging to any school or camp in the present exchange controversies, the author has tried to present the case as fairly as possible. Unfortunately, however, he has reached the conclusion that none of the recent exchange theories is adequate to explain the Japanese experiences.

His next step was to examine theoretically these various controversial theories. Then an attempt was made to reach a final form of exchange theory; and the author believes that if European economic situations were explained in terms of this theory, the nature of the recent dislocation of exchanges would have been better conceived and more clearly understood, without the internal contradictions and defects common to recent theories.

In order to explain the exchange situation in Japan, the writer has endeavored to present all the factors and movements which make up Japan's balance of international payments, especially during the period 1914-1927. The statistical presentation of this part of the study is original, although the author is aware of the fact that figures of this kind need further correction and refinement. The first chapter was written primarily for those who are not familiar with the economic organization of Japan.

The author must express his gratitude to both Professor H. Parker Willis and Professor James W. Angell of Columbia University, without whose kind assistance and suggestions this study might not have been written. He is also under obligation in a number of ways to Professors Seligman, Seager, Moore, Simkhovitch, Mitchell, Clark and others of Columbia University, to the managers of the Yokohama Specie Bank and the Bank of Japan, and to officials of the Financial Division of the Department of Finance and of the Commercial Division of the Department of Commerce and Industry of the Japanese government.

S. Y. FURUYA.

NEW YORK CITY, AUGUST 15, 1927.

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