

## EIR More Distant Lands

# Hamilton's ghost haunts Washington from Tokyo

by Kathy Wolfe

Shocking as it seems, the nation of Japan is the greatest living "success story" today of Alexander Hamilton, Friedrich List, Henry Carey, and the American System of Political Economy. It is Hamilton's success, in Japanese form, which has come back to haunt a United States now grown weak and decadent by its rejection of Hamilton's programs.

Despite ignorance of most Americans and Japanese today of the facts, modern Japan was founded when a handful of Japanese intellectuals, lead by Yukichi Fukuzawa, Toshimichi Ōkubo, and Shigenobu Ōkuma, created an American System Renaissance in Japan in the 1860s and 1870s, modeled on Abraham Lincoln's programs. Traveling to the United States, Germany, and Europe, and bringing back with them American advisers and professors, this Japanese elite based themselves explicitly on the writings of Hamilton, Friedrich List, and Henry Carey.

They adopted List's term "American System" for their plan to promote national industrial production, technology, and the elevation of the common man through education. List and Carey were widely translated into Japanese. "America is our Father," wrote Fukuzawa in his newspaper. Without the "U.S.A. as chaperone of Japan," Japan might have been just another colonial satrapy, wrote Ōkuma in his *Fifty Years of the New Japan*.

To found such an American System, these Japanese patriots, born noblemen but ardent supporters of the American Constitution, formed an army to subdue the feudal Tokugawa warlords and restore central government to the young Emperor Meiji in 1868, an event known as the Meiji Restoration. Behind the new government were the leading students of Henry Carey, who later dubbed themselves the *Mei roku* (Sixth Year of Meiji) Society. During the next quarter-century as a result of their adoption of Hamiltonian economics, Japan crushed feudalism, created a Constitution and parlia-

ment, doubled its population, built a national railroad, founded modern universities, and more than quintupled industrial and agricultural output.

The Meiji leaders were explicitly opposed to the British free trade system of usury. They were consciously allied with the Lincoln forces in America, the Christian republican movement of Dr. Sun Yat-sen in China, and humanists in Korea to create a community of American System nations in Asia, in order to halt Britain's Opium Wars which were enslaving the continent.

While it is often said that the Meiji imitated only the trappings of the West, buying a few machines but remaining internally an Asian despotic culture, in fact Fukuzawa and his collaborators rose to the level characterized by Friedrich Schiller as "a patriot and a world citizen." They realized that only by promoting the highest ideas developed by humanity, many of which originated in European Christian civilization but which belong to all men, could they save Japan from subjugation by the British fleet as suffered by the rest of Asia.

In order to do this, Fukuzawa wrote in his *Jiji Press* newspaper, it would be necessary to join western culture and "to liberate Japan from the dregs of Chinese philosophy":

"The final purpose of my work was to create in Japan a civilized nation as well equipped in both the arts of war and peace as those of the West. I acted as if I had become the sole functioning agent for the introduction of western culture. . . ."

"I regard the human being as the most sacred and responsible of all orders, unable therefore, in reason, to do anything base. So in self-respect, a man cannot change his sense of humanity, his loyalty or anything belonging to his manhood, even when driven by circumstances to do so. . . ."

Later, in the twentieth century, it was *Britain* which broke up the Japano-American alliance, and then obliterated all word of it from the modern record. Just as the British

attempted to break up the United States itself by financing the Confederacy in the Civil War, Britain sought to prevent the development of any industrial state in Asia which might follow the American model, and refuse to kneel to the British Empire. After the Meiji Restoration, Britain feared that an alliance of the technology of the United States and Japan might end the British System. To these ends the British created the Russo-Japanese War of 1905 and eventually World Wars I and II.

We present here the facts which Britain has tried to cover up for a century, in terror that the United States and Japan might ally again to re-industrialize the world based upon our common Hamiltonian heritage.

### **The collapse of Chinese feudalism**

The tremendous job done by the Meiji intellectuals is underlined by contemporary accounts of the disaster to which 500 years of Chinese-model feudalism had brought Japan by 1800. The population had been held at zero growth for hundreds of years at the 30 million level, by food control, a caste system, serfdom, the prohibition of travel and trade, and widespread infanticide.

Society was divided into two large castes, overwhelmingly the commoner castes (91%), mainly illiterate peasants and the nobility. The basis for rule was food control. During the seventeenth century, the Tokugawa war lords at Edo (Tokyo) had made themselves Shogun (military dictator) by force and taken power from the Imperial Court at Kyoto. They held the peasants as serfs, tied permanently to the land, forced to pay a large proportion of their rice crop to the local lord (*daimyo*) who in turn paid a large portion of his aggregate collection to the Shogunate.

By the early 1800s, this feudal structure of looting had broken down, creating widespread famine, epidemic, and anarchy. The Meiroku intellectuals acted to break Japan from that Chinese-model feudalism, the worst imperial tyranny ever known to man. Most western tracts on the Meiji Restoration falsify this completely. They claim the Meiji sought to forge a Chinese-style Imperial Dynasty to rival the British Empire, and were forced to do so only by the invasions of western fleets. They claim that the Meiji nobility created the regime to perpetuate their own feudal power structure, with no larger moral concerns for their population. Thus, most western texts claim, a pro-Nazi fascist movement in Japan in the 1940s was the direct outcome of the Meiji Restoration.

This is a lie. The Meiji patriots built a state on the American constitutional model, for which the emperor was needed to unify the nation in the face of anarchy.

Both the Meiroku leaders and the American Lincoln republicans were well aware that the British were militarily attacking the Americas and Asia simultaneously, with the Opium Wars and the British finance for the Confederacy in the Civil War. The unloading of opium by the force of British gunboats upon China during the Opium War of 1840-42,

which led to Britain's first colonial possession in East Asia, Hong Kong, caused tremendous concern in Japan and the United States, as did the Taiping Rebellion in China against Britain's Manchu puppet regime (1850-65) and the Indian Mutiny (1857-59).

The United States fought Britain with a policy for spreading civilization around the globe through commerce and industry which could help foster new republican nations to ally with America, not by military occupation, drugs, and looting. This was behind U. S. Commodore Matthew Perry's sailing into Tokyo Harbor in 1853.

"When we look at the possessions in the East of our great maritime rival England, and at the constant and rapid increase of their fortified ports, we should be admonished of the necessity of prompt measures on our part," Perry wrote before sailing to Japan for the first time in 1853.

"Fortunately the Japanese and many other islands of the Pacific are still left untouched by this unconscionable government; and some of them lie in the route of a great commerce, which is destined to become of great importance to the United States. No time should be lost, in adopting active measures to secure a sufficient number of ports of refuge."

### **The Benjamin Franklin of Japan**

The intellectual leader of the Meiji Renaissance was Yukichi Fukuzawa. During the 1840s and 1850s, Fukuzawa was a member of the Dutch Studies movement, a group of young intellectuals who flocked to the Dutch colony at Nagasaki, the only venue to learn western science under the Shogun feudal dictatorship. There they studied the works of Johannes Kepler, among other leading western thinkers.

In 1858, ten years before the Meiji era, Fukuzawa founded Keio University on part of his clan's estate near Tokyo, the first university in Japan. As soon as he was able, he staffed it with American professors from the school of Henry Carey and Mathew Carey.

In 1860, Fukuzawa visited America; in 1862, Europe; and in 1867, America again. The 1860 trip was clandestine as it was illegal under the Shogun feudal lord. After his 1867 visit, Fukuzawa brought back as many American books as he could carry.

Fukuzawa never joined the government, but concentrated on founding universities and newspapers, including Japan's first newspaper, the *Jiji Shinpo*, in 1871. His friends from the Dutch Studies movement formed the first "Hanbatsu Cabinet" at the restoration of the Emperor Meiji in 1868:

**Toshimichi Ōkubo**, the "George Washington of Japan," forged a faction for the American System within the Japanese elite. The first minister of finance in 1868, he became vice envoy of Japan in the first Meiji government mission to the United States and Europe, the Iwakura Mission of 1871-73. He founded the Industrial Production Board, the precursor of today's Ministry of International Trade and Industry (MITI).

**Shigenobu Ōkuma**, Ōkubo's successor as finance minis-

ter, was the Alexander Hamilton of Japan. He set up a banking system modeled explicitly on Lincoln's Hamiltonian system, beginning with his foundation of the First National Bank of Japan in 1873.

**Prince Tomomi Iwakura**, a leader of the Imperial Sanyo (Council of Advisers) was the first prime minister and headed the Meijis' first mission to the United States and Europe in 1871. The Education Decree promulgated by Iwakura in 1872 created the first public school system in Asia.

**Arinori Mori and Tetsunosuke Tomita**, Japanese con-

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sults in Washington and New York, respectively, worked closely with Carey in the U.S. and traveled frequently to Japan to assist in the restoration. Tomita commissioned the first Japanese translations of the works of Carey and List.

### **The National Bank**

Toshimichi Ōkubo led the drive for a Hamiltonian banking system and American-style industrialization. Upon his return from America in 1873, on the advice of Washington's adviser in Tokyo, Erasmus Peshine Smith, a student of Lincoln's economic adviser Henry Carey, Ōkubo founded the Ministry of Home Affairs and set up within it the Industrial Promotion Board. Ōkubo placed his friend Shigenobu Ōkuma, another intellectual leader, as finance minister, and they founded the First National Bank of Japan the same year.

Without the national banks, of which Ōkuma set up a series during the 1870s, explicitly modeled upon Alexander Hamilton's 1791 First National Bank of the U.S., Japan could never have industrialized. Japan thus became the first nation in Asia to found an independent state bank. For this reason alone, the British, who always owned the central bank of the nation they occupied, such as the Hongkong and Shanghai Bank in China, were unable to crush Japan.

Ōkuma took his cue from Hamilton who, in his 1790 "Report on a National Bank," solved the crisis of the huge

American Revolutionary War debt. The Continental debt, he wrote, should be used as *specie*, that is, be circulated as currency, and could be *capitalized*, used as the capital of a national bank, to then issue a much greater sum of credit for industrialization (see p. 15).

In Meiji Japan, the state was the source of credit, for feudalism had left Japan with few private money lenders, almost no money economy, little national debt, and no industrialists. Where were they to begin?

Ōkubo and Ōkuma constructed a solution, based on Hamilton's solution to the Continental debt, which eradicated feudalism in Japan in less than a decade. They abolished the ownership of Japan's land by the feudal *samurai* nobles, "reverting" ownership to the nation in 1871. They did this by *creating a national debt*, paying the nobles in new government paper—a vast transfer completed by force of arms where necessary by 1876.

The government then urged the *samurai* to put their new sums of capital into creating new industries. Ōkuma's Ministry of Finance created additional government debt credits to aid these new industrialists, and also to capitalize a national bank, in which the *samurai* were encouraged to deposit their cash.

Ōkuma never hesitated to run large government deficits to industrialize, unlike International Monetary Fund-run Third World governments today, which put book-balancing before eating. The new government debt credits were issued in amounts as large as half again the amount of annual tax receipts.

On the urging of the American advisers to beware of British plans for financial control, foreign loans were tightly regulated. When President Ulysses S. Grant visited Japan in 1879, he cautioned Ōkuma and the Emperor Meiji himself against all foreign borrowing. "Look at Egypt, Spain, and Turkey," he said, "and consider their pitiable condition. . . . Some nations like to lend money to poor nations very much. By this means they flaunt their authority, and cajole the poor nation. The purpose of lending money is to get political power for themselves."

Japan borrowed virtually nothing abroad, i. e., from London, from 1870 to 1897, and only then because British agents in Tokyo had dragged Japan into a war against China, for which loans became needed.

When Ōkuma later became finance minister again, he acted to ensure that Britain's Hongkong and Shanghai Bank could also not manipulate Japan through trade from the outside. He founded the Yokohama Specie Bank in 1887 as a Meiji government monopoly over all dealings with foreign countries. All foreign loans to the Japanese government were done in the form of purchases of bonds of the Yokohama Specie Bank, a Hamiltonian mechanism whereby debt was turned into state credit for industry. Furthermore, the Yokohama Bank took over the finance of all foreign trade, previously exclusively financed by Britain's Hongkong and

Shanghai Bank, which broke the British monopoly on the foreign exchange market in Asia. Only when British assets in Tokyo forced through the 1902 alliance with Britain against Fukuzawa's Russian ally Count Witte did Japan allow British banks to operate freely inside the country.

### Hamiltonian industry

The speed with which the Meiroku Society overthrew feudalism and built a nation was astonishing, and due to the Fukuzawa group's realization that Hamiltonian economics was a universal *scientific method*. This science could be used by all humanity, just as scientific inventions like electricity and the steam engine belong to the human race—those with the brains to apply them.

The industrialization of Japan is perhaps one of the best examples in history of Hamilton's *voluntarism*. These intellectuals conceived of the state first, and then created it, demonstrating that such things can be done in any nation with the quality of *mental leadership* to buck British "free trade" dogma.

The Meiji in fact avoided elevating the few big feudal merchant houses, such as Mitsui and Co., which were close to the British. Instead, they created new industrialists from the ex-samurai, under the direction of Ōkubo's Industrial Promotion Board.

"The Industrial Promotion Board had three divisions: Agriculture, Commerce, and Industry, but the policy aimed at an organized unity. While in foreign trade and shipping the formation of private companies was encouraged, in agriculture and industry, state intervention was more extensive. Public experimental stations, model factories, and educational institutions, built by the Board for Technical Improvement and Industrial Promotion, initiated and directed industrial activities from above. Hence the need for experienced foreign employees," reported a contemporary account.

From 1873 to 1882, some 310,970 samurai received public bonds equivalent to over \$113 million (1880 dollars), and 200 new corporations were established as a result of government loans and encouragement, creating shipbuilding, construction, cement, fertilizer, salt works, textile mills, and other companies. In 1873, Ōkubo fostered Japan's first independent shipping company, Mitsubishi, founded by Yataro Iwasaki, an ex-samurai provided by Ōkubo with large government loans. A shipping company was needed, Ōkubo wrote, to stop Britain's total domination via the P&O Line over Japan's transportation system.

Throughout the 1870s, Ōkuma intervened to assure the expansion of the Mitsubishi fleet. In 1874, the government purchased 13 steamers and gave them to Mitsubishi. During the British-instigated Satsuma samurai rebellion, Mitsubishi alone was able to transport the troops needed to save the Meiji regime. The government expanded it into a maritime academy, a marine insurance agency, a warehousing chain, and a major coal-mining concern.

The government itself also operated the overwhelming majority of heavy industries until well after the turn of the nineteenth century in a manner often advised by American System economists. In 1875, government-operated factories accounted for 56% of the total number of factories, 75% of the total horse power of energy used, and 88% of the manufacturing employees. The government built a railway system nationwide, a chemical industry, a shipbuilding industry, and so on. As these militarily and strategically critical new industries became capable of standing on their own without being destroyed by foreign dumping, the Meiji government sold them off to the private sector.

### America as the protector of Japan

The American alliance was a joyful collaboration to the Meiji intellectuals, and a military necessity, which had nothing to do with plagiarization. If the United States had not protected the young Japan, it could never have remained independent in a world where Britain sought to occupy Asia by opium and force. As Shigenobu Ōkuma wrote in *Fifty Years of New Japan*:

"Fortunately, helping hands were not wanting, ready to chaperone Japan in her debut upon the world stage. The friendly part which the United States took for its Japanese protégé especially deserves mention. Indeed, this spirit has pervaded all her proceedings toward Japan from the very first. Commodore Perry, while outwardly overbearing, entertained friendly sentiments toward our country. He scored the idea of following the submissive methods of the Hollanders, but neither did he agree to the proposal of a Russian admiral to coerce Japan by force.

"His diplomacy was as adroit as it was magnanimous, and this wise precedent was followed by the first minister which his country sent us, for Townsend Harris was the confidant and adviser of the Japanese government in the new business of diplomacy. It was he who advised Japan to forbid the introduction and use of opium, thus enabling her to keep clear of this source of national disaster."

In 1869, the Dutch-American missionary Guido Verbeck became the first foreign Japanese government employee, at the recommendation of Ōkubo and Ōkuma, as a legal adviser to the emperor and a teacher at the Kaisei School in Tokyo. Such foreign employees totaled over 500 by 1873.

From 1871 to 1877, Ulysses S. Grant sent State Department official Erasmus Peshine Smith to act as the official economic adviser to the Meiji regime. Smith advised Ōkubo and Ōkuma on Carey's system for protective tariffs and development of domestic industries. "The Japanese statements appear to have sound notion upon the policy of encouraging the protection of native industry," Smith wrote home. By the time he left Japan, "The American System of protectionist economic theory had become generally common thinking among Japanese statesmen, government officials, and philosophers," as one Japanese historian put it.