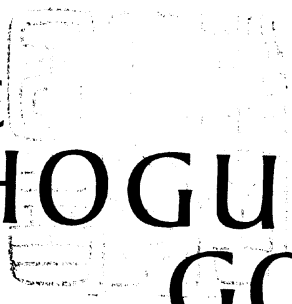


THE
SHOGUN'S
GOLD



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A Novel of 19TH-Century Financial Intrigue

MASAYOSHI SATO

TRANSLATED BY MARK SCHILLING

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Translator's Note

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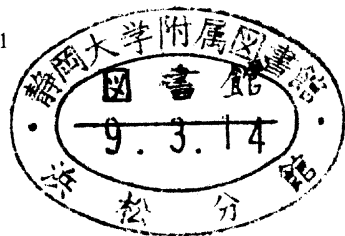
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Historical novels are common enough: dozens of new ones (and a few fine ones) pour from the presses every year. *Economic* historical novels are another matter. Writers love to weave romances around the wars of nations—not their exchange rates. In the case of Japan, however, the drama of emergence from two-and-a-half centuries of national isolation was very much an economic one. In the Edo (now Tokyo) of 1859 exchange rates were not arcane figures that only the experts claimed to understand, but symbols of a new relationship with the world. In setting them, the Japanese authorities and foreign diplomats uncovered fundamental problems—and unleashed fundamental passions.

It is those problems and passions that concern Masayoshi Sato in *The Shogun's Gold*. Interestingly, he chooses to view them mainly through the eyes of Rutherford Alcock, Britain's first consul general to Japan. This choice has its logic: Alcock played a central role in the tragicomedy of misunderstanding and missed opportunities that plunged Japan into a decade of economic upheaval and political chaos. It also has its dangers; an author who makes his protagonist a foreigner from another century and from a radically different culture is taking a large, almost impossible leap of the imagination.

Mr. Sato, however, has not invented Alcock and his other characters so much as imaginatively revived them through painstaking research in primary source materials, a huge abundance

of which exist. Nearly every foreigner in Japan at the time was a potential author, gathering material for a book that would explain this mysterious country to the world. Alcock was among the most zealous and thorough, writing reams of dispatches and notes that would later become the basis for his magnum opus, *The Capital of the Tycoon*.

In the process of sifting through period documents, Sato unearthed a fascinating tale of greed and deception—and presented it in the form of a true detective story that may well stir up new debate about an American diplomatic hero.

But, more importantly, he has traced the tangled web of Japan's relations with its western trading partners to its starting point, and shed light on the causes of our present difficulties. Japan may have long ago lost its financial innocence, but its view of the outside world—and its ways of dealing with it—have strong roots which were already sunk deep when Rutherford Alcock caught his first, rain-dimmed glimpse of Nagasaki harbor in 1859.

THE SHOGUN'S GOLD

Europeans first heard of Japan through Marco Polo, when, at the end of the thirteenth century, he tantalizingly described it (based on Chinese accounts) in his Travels as having “gold in great abundance.” When Christopher Columbus was inspired by the Travels to seek this fabled land in 1492, he encountered the Americas instead, and Japan remained a mystery to Europeans.

The first Europeans to visit Japan were the Portuguese, when a group of sailors landed at Tanegashima, a small island to the south of the main Japanese archipelago, in 1543. Japan at that time was in the midst of its Warring States Period—a century-long internal power struggle. Through the Portuguese the Japanese were introduced to firearms, which they copied, improved, and began to manufacture for themselves. These weapons later played a major role in the country’s civil wars.

During this time, Japan was one of the leading producers of gold and silver in the world. Following that first visit, Europeans, primarily the Portuguese, rushed to Japan, excited by reports of riches. Christian missionaries came too, mainly Jesuits who proselytized enthusiastically all over the country and won many Japanese converts to the new foreign religion.

The Warring States Period ended in 1600 with the decisive Battle of Sekigahara, which determined the direction Japan was to take for the next 250 years. The victor was the seasoned warlord Tokugawa Ieyasu, who soon established his hegemony over the entire nation. Thus began the Edo Period.

This period was named for the city that served as the capital from then on—now known as Tokyo. The Tokugawa government, the Bakufu, moved quickly to stamp out the dangerous foreign religion. It banned Christian missionaries, made martyrs of converts, and in 1639, closed Japan off from free contact with the rest of the world—a move that was to have an enormous effect on the nation's subsequent work. After a brief nine decades of interaction with Europeans, Japan became a world unto itself, a sleeping beauty dreaming its own identity, its face turned inward.

The prince whose rude kiss awoke the island country to international involvement was a rough-and-tumble adolescent of a nation, itself less than a hundred years old, the destiny of which would remain intertwined with Japan's thenceforth: the United States of America. In 1854 Commodore Matthew Calbraith Perry, with the persuasive aid of his warships' cannons, forced the Bakufu to sign a treaty of amity and friendship with the United States—The Treaty of Kanagawa—and open two ports, Hakodate and Shimoda, to foreign trade.

Deeming that treaty less than satisfactory, however, the United States sent a consul, Townsend Harris, to Japan to conclude a new commercial treaty. In August of 1856 Harris landed at the treaty port of Shimoda, located at the southern tip of the Izu Peninsula, to the south of the city of Edo. Nearly two years later, in June of 1858, Japan and the United States also signed a treaty of amity and commerce—The Treaty of Edo. Soon afterward Holland, Russia, England, and France each concluded nearly identical treaties. After nearly two-and-a-half centuries of isolation, Japan had rejoined the world. Our story begins the following year.

1

The Instructions

MARCH—JULY 1859

Rutherford Alcock was Britain's first consul general to Japan. Originally a surgeon, he had practiced in Amoy, one of the five treaty ports on the China coast. When an attack of rheumatic fever affected his hands, making it impossible for him to perform surgery, he had turned to diplomacy. Though not a lifelong career diplomat, he had been living in China for over ten years at the time he was called to Japan.

During those years, China had opened to the West in a limited way. After losing the Opium War to Britain, China was compelled to sign the Treaty of Nanking, thus making it, however reluctantly, open to intercourse with Europe. The Chinese, however, were ambivalent about this new openness. Those who wanted to let in the new light and those who wished to keep the old darkness continued to do battle.

The Chinese word for *China* means Middle Kingdom, indicating that China is the center around which other, subordinate nations revolve. Unshakable faith in their own superiority influenced the Chinese in their dealings with the Western barbarians, even after losing a war to England and being forced to open their ports. They flouted the treaty in ways calculated to incense the Europeans, who cherished beliefs of their own regarding race, culture, and the manifest destinies of empires.

Rutherford Alcock was a man of firm resolve. Faced with Chinese obstinacy and cunning, he countered by making the fulfillment of the treaty and respect for its spirit the keynote—

one might say fetish—of his diplomacy. That the Chinese had signed under coercion—with British guns pointed at their heads—did not alter his determination in the slightest; he would use any means necessary, economic sanctions or even military force, to make the Chinese adhere to the treaty. This, he believed, was his duty as Her Majesty's representative in China.

A widower who had lost his wife to illness several years earlier, Alcock had dark-circled eyes, sunken cheeks and a grayish pallor that betrayed a predisposition to gastric complaints. He was known to be irritable and given to fits of rage. He was also known to abhor compromise regarding his fetish, fulfillment of the treaty.

Alcock received official notice of his reassignment to Japan in the spring of 1859. Along with the announcement came a set of diplomatic instructions from the British government unlike any ever seen on the China coast. Alcock was to “win the confidence of the Japanese people” and “be content with gradual progress.” The government, in short, had made a 180-degree turnabout from its ruthlessly aggressive policy toward China, in which Alcock had been a willing agent. It was now instructing him to take a gentler approach to treaty adherence in his new assignment. The treaty was to remain a priority, but Alcock was instructed to insist upon its fulfillment in patient manner, refrain from pressure, and take pains to avoid offending the Japanese government. And this new approach was not limited to Britain's instructions to Alcock.

According to the Treaty of Edo, the commercial treaty Japan had signed with Britain (it had also negotiated similar versions of the treaty with the United States, Holland, Russia, and France), three ports—Hakodate, Kanagawa, and Nagasaki—were scheduled to open on July 1, 1859.

Japan had been isolated during the Edo Period—but not totally. The Bakufu had allowed strictly limited trade with the Dutch and Chinese at Nagasaki, Japan's westernmost port and the closest to China. Then, in March 1854, the Japanese signed a treaty of amity and friendship with the United States (the Treaty of Kanagawa) and a similar agreement with Britain

shortly thereafter. These pacts stated that if Japan agreed to any new treaties with other nations, the provisions would automatically be applied to the United States and England. Accordingly, when Japanese officials at Nagasaki concluded commercial treaties with Russia and Holland in October of 1857, permitting trade at Nagasaki and Hakodate, the United States and England were also beneficiaries. Merchant ships from both nations began visiting the two ports in 1858.

But they also brought in goods that, according to an official British government dispatch, “even if the treaty were ratified and trade duly opened, could not legally be imported into Japan.” Determined to prohibit smuggling and other lawless acts that had marred the opening of ports in China, the British government issued a royal proclamation that British violators of Japanese law would be subject to applicable fines or other penalties and could expect no protection from Her Majesty's government. Commanders of British warships in Japanese ports and waters were ordered “to support by all lawful means the Tycoon [the titular head of the Bakufu, also known as the Shogun] of Japan and his government in preventing any violation, evasion or contravention by British subjects of the laws of Japan, or of the provisions of the said Treaty.” Needless to say, Britain had never issued such a proclamation in relation to China.

The British government was demonstrating a friendly, some might say suspiciously friendly, attitude toward Japan—but why? As Alcock ruminated on the reasons for this new development, he smiled wryly to himself; it was all so obvious.

One reason was the need to contain the Russians, who had been advancing south from the Kamchatka Peninsula. But oddly enough, a moral consideration carried more weight—Britain was having a collective attack of Victorian guilt over its conduct in China.

A military-commercial superpower whose empire was unsurpassed in size and power, Britain had ruthlessly had its way in China, forcing the Chinese to accept an addictive commodity, opium, while reaping enormous profits as the sole supplier. When the Chinese resisted, the British had applied overwhelm-

ing military pressure in the form of the 1839 Opium War. Not satisfied with the concessions wrested from Chinese in this conflict—or the narrow interpretation of treaty rights by Chinese authorities—Britain, together with France, had gone to war again in 1856. This conflict, known as the Arrow War, or the Second Opium War, resulted in the signing of a new treaty with China—the Treaty of Tientsin—in June 1858.

The British government found itself in a quandary. The opium trade was universally agreed to be evil, but it also brought money pouring into the national coffers. Should Britain abandon it, how would it replace the enormous revenue that would be lost? Parliament and the public would not readily accept a large tax increase. Even so, they continued to loudly oppose the opium trade, and heap special abuse on the diplomats in China who oversaw it. Though he hated the trade himself, Alcock found such self-righteous hypocrisy infuriating.

The policy of establishing friendly relations with Japan was thus designed to appease an outraged home public and make amends for past misdeeds in Asia. It galled Alcock that he was being asked to behave as a helpless virgin before the Japanese—to approach them with hands meekly folded and head demurely bowed. He suspected that they would prove to be as wily and unscrupulous as the Chinese, their cultural forbears. Not to take a firm hand from the outset would encourage the Japanese to flout the treaty and form a contemptuous opinion of foreigners in general. There was no guarantee that they would fulfill the treaty and respect its spirit—the sacred tenets of his diplomacy. These instructions, Alcock thought, were indeed a bitter pill to swallow.



Alcock left his post at Canton for Japan on May 1, two months before the beginning of trade under the new treaties. It was already summer in that southern climate, and the burning rays of the summer sun glittered on the Pearl River as Alcock boarded the *Williamette*, a steamer that would take him to Hong Kong on the first leg of his journey.

Soon after leaving the landing of the Bogue forts, the *Williamette* passed a British ship with its flag at half-mast. Alcock was told that it carried the remains of an old adversary, Yeh Ming-ch'en, the former imperial commissioner at Canton.

"Farewell, Yeh, you godless old reprobate," he muttered under his breath. Watching the ship pass, Alcock reflected on the lessons he learned from the late commissioner about the Asian mentality.

For many years, European diplomats had tried to gain audience with the Chinese government, which, ensconced in its stronghold in Peking, saw no reason to acknowledge the disagreeable presence of these foreign devils—or welcome the change in the balance of power that they represented. They hoped that foreigners, like the demons they resembled, might go away if ignored.

But European diplomats were not so easily discouraged. Barred from establishing diplomatic missions in the capital, Peking, they took up residence in Canton and the other treaty ports. There they negotiated with imperial commissioners like Yeh, who were reluctant to make appointments with foreigners—and casually broke them. Also, despite a specific provision in the Treaty of Nanking, the Chinese forbade the Europeans from residing inside the city walls of Canton. How it galled the Europeans to be snubbed by these yellow-skinned pagans, whose faith in their own superiority rivaled their own!

The British decided to revenge these snubs by waging the Arrow War, which quickly settled the question of which side had superior military power. It took the combined Anglo-French forces but a day to topple the walls of Canton—and throw open its gates to European residence. The British captured Yeh in the siege of Canton and shipped him to Calcutta, where he died. The ship passing the *Williamette* was returning Yeh's remains to Chinese soil.

Alcock turned his gaze to the Bogue forts, now in ruins. They reminded him of a story he had heard about Yeh, one of many. Unlike France, the United States—then a young, struggling nation—had declined Britain's invitation to participate in

the Arrow War, and had maintained a stance of neutrality. But because the United States had to protect its citizens living on the China coast, it had sent a sloop, the *Portsmouth*, to Canton. Arriving in Canton, the *Portsmouth* had lowered its boats. Boarding them, the ship's sailors had rowed toward the landing. Suddenly, the Chinese had started firing on them from the Bogue forts, which the *Williamette* was now passing. The sailors had desperately waved the Stars and Stripes, to no avail. The Chinese had continued firing and the sailors had fallen, dead and wounded.

The American commodore had protested, demanding an explanation. Yeh's smooth reply had been all form and no content—an example of that Chinese sophistry so maddeningly familiar to European diplomats. Exasperated, the commodore had turned his guns on the forts, silencing four batteries and routing 20,000 Chinese troops. This was the United States' only military action on the China coast; it never entered the Arrow War.

In the face of such military power, so persuasively displayed, Yeh had had no choice but finally to meet with the foreigners. After expressing his apologies, Yeh had coolly asked the commodore to “send the flag of his nation, that in the future the Chinese officers might know and be able to recognize it.”

Fifty years of diplomacy in China, thought Alcock. And look where matters stand! How does one cope with a people as maddeningly obstinate and illogical as these, he asked himself. As he watched the ship bearing Yeh's remains pass out of sight he determined to apply in Japan what he had learned in China from Yeh and men like Yeh: the only logic they would respond to was the logic of the sword. But what to do about Her Majesty's instructions?



The *Williamette* arrived in Hong Kong that same day. Alcock debarked and spent ten days in the Crown Colony, during which time British and French warships gathered in the harbor. One year had passed since the Arrow War, and the warships had

been assembled to escort the British and French envoys to Peking, where they were to exchange ratified copies of the Treaty of Tientsin with Chinese officials.

But word arrived that the Chinese had repaired the Taku forts at the mouth of the Peiho River and, far from intending to honor their agreement, were resolved to risk war. The allied warships prepared for battle and sailed north. Alcock pondered this latest example of Chinese deceit. Were these people entirely lacking in morals? Or were they simply deficient in diplomatic common sense? If so, the British and French forces would soon pound it into them.

At Canton, Alcock boarded the HMS *Sampson*, the corvette that was to take him first to Shanghai, and then on to Japan. At Shanghai several warships stationed in Central China had also assembled. One was the *Mississippi*, an aging paddle wheeler. The *Mississippi* signaled the *Sampson* that the American minister to Japan was on board. The *Sampson* replied that one of its passengers was the British consul general to Japan.

The American minister, Townsend Harris, had recently been promoted from the rank of consul general and therefore outranked Alcock. As etiquette demanded that Alcock go to Harris, he quickly boarded the *Mississippi* to pay his respects.

Though ranking higher than Alcock, Harris had even less diplomatic experience than his British colleague. He had begun his life in Asia as a supercargo—a kind of humble seagoing merchant. With absolutely no support from his home government, this novice at diplomacy had miraculously done what Britain and other great powers had gone to war with China to do—he had negotiated a commercial treaty with Japan, without a single warship and at no cost to his country. This was unquestionably an astounding achievement. Suddenly he was the toast of the foreign community in China. The Americans especially couldn't praise him highly enough. Subsequent commercial treaties Japan signed with Holland, Russia, England, and France were all modeled on the Harris treaty.

The meeting between the two men began awkwardly, but after a toast to their mutual health, they settled down and began

to talk seriously about the task before them. Harris, the senior in years and rank, with two years and eight months in Japan behind him, spoke first.

"There are currently two problems in Japan," he said. "One is the absence of good communications between Edo, the capital, and the United States."

In all the time Harris had been in Japan, his government had not given him even one ship-of-war. This was to be Alcock's fate as well. Soon after dropping him off in Japan, the HMS *Sampson* would turn around and head back to China. This was in line with the "instructions" regarding Britain's friendly intentions toward Japan, and the fact they had no commercial interests to protect there.

Harris took out a map of Japan and pushing aside the remains of their dinner, spread it out on the table. He outlined the various communications alternatives, limited though they were. "First of all," he said, "we have no choice but to rely on commercial sailing vessels to carry our communications both to China and back home. At the moment, these ships are only sailing from Nagasaki to Shanghai. Now that Kanagawa"—Harris indicated the new treaty port, thirty miles south of Edo—"is open, ships will soon be coming and going from there on a regular basis, but we can't count on having one ready at a moment's notice. And, depending on the weather, it takes from six to ten days to reach Shanghai from Kanagawa."

"What about overland communications?" asked Alcock.

"Well, one sure way is to use the Japanese government's system. But even that takes thirty days to send a message from Edo to Nagasaki. Sixty days round-trip. In fact, you can count on a letter taking seventy days to reach London, via Shanghai—which means that the round-trip from Edo to London and back requires two hundred days altogether. It's maddeningly slow."

Alcock pondered this daunting information. "You mentioned another problem," he said.

"Yes," continued Harris. "They're trying to isolate us in Yokohama, turn it into another Dejima." Alcock, who had read *Commodore Perry's Journal of an Expedition to Japan*, knew exactly

what he meant. In that book Perry had described how, during the Edo Period, when Japan had carried on limited trade with the Dutch and Chinese, the Dutch in port had been strictly confined to a tiny man-made island in Nagasaki Harbor called Dejima, joined to the coast by a narrow bridge, thus preventing any mixing with the native population. Alcock, still angry when he recalled the ban against Europeans inside the city walls of Canton, strongly agreed with Harris that a similar situation must be prevented from developing this time.

"This is the crux of the matter," said Harris. "The Japanese are claiming that the open port specified in the treaty is not Kanagawa, a long-established post town on the Tokaido Road that runs from Edo to Kyoto, but Yokohama, a tiny fishing village located here," he said, indicating a point on the coast. "As you can see, Yokohama faces Kanagawa across the water, but the treacherous coastline makes communication by land between the two virtually impossible. The Japanese argue that the harbor at Yokohama is superior, which I admit is correct. But their true aim is to isolate us there from the rest of the country—to shut us up in another Dejima, as it were. That's why I oppose the designation of Yokohama as the open port."

Alcock saw now that the Japanese had no intention of fulfilling the treaty or respecting its spirit. Thinking of what lay ahead—and how his hands had been tied by his government's well-intentioned instructions—Alcock felt his hackles rising.

Alcock left Shanghai on May 31. The opening of the ports was scheduled for July 1, and he was eager to begin grappling with the many and various challenges he foresaw in his new position. First of all, he wanted to take a careful look at Nagasaki, where the British, Dutch, and other nationalities were already engaged in trade with the Japanese. And then, upon reaching Edo—the seat of the Tycoon's government—he intended to find suitable quarters there, unless the Japanese decided not to honor the stipulation in the treaty that permitted him to do so—a distinct possibility.

The voyage across the East China Sea took four days instead of the usual two, because of blinding rainstorms. The *Sampson*

sailed into Nagasaki Harbor in the middle of a torrential down-pour. Undaunted, Alcock stood on the deck, peering through the slanted streaks of gray. As the ship entered the harbor from the south, he saw the city to his right and, directly ahead, a tiny island rising up from the water. "Dejima," he whispered to himself. So this was the ghetto the Japanese had built to contain the Dutch.

Alcock was astounded at the number of foreign ships anchored in the harbor. Good heavens, he remarked to himself, silently counting. He saw merchant ships flying English, French, Russian, and American flags, and a Russian man-of-war, fifteen foreign ships in all. They're here because of the prices, he thought.

One year earlier, news of astonishingly low prices in Japan—as little as a third of those in China—had reached Europeans living on the China coast. Only a short while before, Japanese prices had been notoriously high. One ton of medium-grade Nagasaki coal, for example, had jumped in price from four dollars to five, but was still one-third the cost of comparable coal in Shanghai. American warships, needing more coal than their depot in Shanghai could supply, frequently traveled to Nagasaki to supplement their stock. The Russians had not only made Nagasaki their primary source of coal in East Asia, but established a naval base there.

The European merchants in China were excited by the thought of the fortunes to be made in Japan, but also skeptical. From being the most expensive country in the world, Japan had suddenly become the cheapest. It seemed too good to be true. Nevertheless, they began sending merchant ships to Nagasaki soon after Japan signed commercial treaties with Holland and Russia in October 1857.

Arriving in Nagasaki laden with cotton goods, woolen goods, and sugar, they sought out Japanese goods, such as marine products, pottery, and silk, that they could sell back home. Silk was in particular demand: the spread of pebrine, a silkworm disease, had caused production in Europe to fall drastically, making low-priced Japanese silk very attractive.

In accordance with the supplemental treaties, a bazaar had been built in Nagasaki where Japanese and foreign merchants could meet and bargain with one another—the form of trade permitted by the treaties. But the foreign goods did not sell. Foreign traders, who had rented warehouses in anticipation of making a killing in this land of low prices, soon had to decide between two alternatives: leaving their goods in storage or shipping them back to China.

Currency exchange presented another problem. Fearful of British naval power, Nagasaki officials allowed the crews of warships to change all the money they required. But they had nothing but scorn for merchants and other foreign civilians—and showed it by permitting them to change only four dollars per person per day.

They raised the per-day exchange limit to ten dollars after a British man-of-war sailed menacingly into Nagasaki Harbor. But ten dollars a day, roughly equivalent to the monthly wage of a British or American seaman, was hardly sufficient for the foreign merchants, who had brought with them thousands of dollars with which to conduct trade.

While Alcock was still in Nagasaki, a group of British merchants led by William Keswick of Jardine, Matheson & Company, the largest British trading firm in the Far East, paid him a call on board the *Sampson*. Keswick outlined the grim situation vis-à-vis the Japanese authorities. "These are the latest barriers thrown up by the Japanese government, which has been extremely unfriendly toward commercial intercourse," he said, after enumerating the various problems.

Alcock nodded. The more he heard about the situation, the more clearly he realized that following his instructions to the letter would play directly into the hands of the Japanese: he would be leading his countrymen, like so many sheep, to the slaughter.

Keswick continued, saying, "The merchants in Nagasaki will not even accept notes issued by their own government at face value. Some refuse to take them at all. And they continue to refuse to take dollars, which they should do under the treaty."

The only alternative was barter, the form of trade most favored by the Japanese merchants.

"In that case, however, Japanese goods are not cheap at all. Moreover, Chinese guilds monopolize trade in marine products, and the Japanese authorities forbid us from taking part in it."

Like the Dutch, the Chinese were contained in their own ethnic ghetto in Nagasaki. But their trade guilds controlled all commerce in marine products, which prevented any participation by Europeans.

"From the chartering of sampans to the hiring of coolies—the authorities meddle in everything. One thing I'm sure of," added Keswick, "the Japanese government has its fingers in every pie. Nothing happens here without their noticing it."

Alcock nodded. This state of affairs was disappointing but not surprising. The Treaty of Edo had not yet taken effect—trade was then being conducted under the supplementary treaties with Holland and Russia, which only applied to the United States by extension. Alcock decided that this was neither the time nor the place to confront the authorities.

He spent two weeks in Nagasaki, during which time he was able to secure a promise from the local governor that, beginning July 1, he would implement reforms in response to the complaints of Keswick and other British merchants. The day before he left, the *Mississippi*, with Harris aboard, arrived in Nagasaki Harbor several days behind schedule.



Not stopping at the treaty port of Kanagawa, the *Sampson* headed directly for Edo, but was forced to anchor off Shinagawa, a town on the Edo Bay, because of dangerous shoals off the coast.

Alcock was pleasantly surprised to find that the Japanese authorities did not object to his residing in Edo. He proceeded to search for a suitable site for the temporary British consulate and soon found one: the Buddhist temple of Tozenji in Tanakawa. Located near the Shinagawa coast, Tozenji would allow for a speedy escape by sea, should it ever prove necessary.

By then it was June 29. The ports mentioned in the Treaty of Edo—Hakodate, Kanagawa, and Nagasaki—were scheduled to open for the British in only two days, on July 1. In their version of the treaty, the Americans had designated July 4 for the opening of the ports, but the British, not wanting to associate this happy occasion with unpleasant memories, had chosen an earlier date.

In addition to Captain F. Howard Vyse, who was to become acting consul at Kanagawa, the British consulate staff included a first assistant who was studying Japanese, a Dutch interpreter, and two student interpreters, for a total of five. On July 1, Alcock and the five members of his party boarded the *Sampson* and together with nearly 200 pieces of baggage, headed for Kanagawa.

Keeping the shore to her right, the *Sampson* sailed toward the harbor. When she entered it, Alcock and the others could see Kanagawa on their right, Yokohama on their left.

Other than the now-familiar *Mississippi*, which was resting at anchor, Alcock and the others could see only one merchantman. As the ship advanced into the harbor they could make out the features of Kanagawa and Yokohama. As the contours of the surrounding land gradually became clearer, Alcock and the others were transfixed by the sight of Yokohama.

When Alcock had met Harris in Shanghai, Harris had described Yokohama as a rustic little village. But the Yokohama before him was nothing of the sort.

Even from a distance it was possible to see that the houses lining the streets—and there were already a fair number of them—had been built recently. Some were still under construction. Lowering their gaze to the shoreline, Alcock and the others could see two piers jutting out into the water. The larger one looked big enough for twenty boats to land their passengers or cargoes at the same time.

I'd like to see them try it . . . , thought Alcock.

The Japanese government had evidently built these piers in the four months that Harris had been away from Japan. In other words, they had hurried to transform Yokohama into another

Dejima. It was clear that the Japanese had no intention of abiding by either the letter or the spirit of the treaty. It was also obvious to Alcock that the new barriers the Japanese had erected against European trade in Nagasaki represented yet another attempt to gut the treaties.

The *Sampson* stopped its engines and dropped anchor. Alcock had the crew quickly lower a boat. Boarding it, he and his party headed for the larger of the two piers. When the boat reached the end of it, Alcock got out. Made of granite, the pier had been built to a neck-craning height of nearly twelve feet, surmounted by a six-foot grass embankment. Alcock climbed the stone steps leading to the top and walked out onto it.

Looking out at the larger pier again, Alcock estimated that it was about a hundred yards long. Glancing toward Yokohama, he saw an official-looking building at the end of the pier. Alcock approached it. In front of the building was a black painted gate, before which sat several officials and an interpreter.

"What kind of building is this?" Alcock asked.

"It is the customshouse," an official answered.

At the invitation of the official, Alcock and his party entered the customshouse. Inside, he saw a neat sand-covered courtyard surrounded on all four sides by buildings. Some of the buildings were still under construction. Alcock had a distinct impression of haste.

Alcock was shown to a room. There he found five men, all clean-shaven, who were introduced as governors of foreign affairs. Later, he would drop this unwieldy appellation and simply call them by their Japanese title—*bugyo*. Soon, Alcock and the others were served Japanese sake and food that they did not find much to their taste.

"European diplomats in the East should present a united front, even if their home governments are quarreling. If they seem to be in disarray, Orientals will be quick to take advantage of them."

This was an iron rule of diplomacy in the East that all European diplomats understood. Alcock and Townsend Harris, his senior colleague on board the *Mississippi*, had to carefully

plan their counterattack against the Japanese, who were trying to isolate foreigners in their preferred open port of Yokohama. Accordingly, Alcock did not discuss the problems of the foreign settlements and the open ports on this occasion.

Leaving the customshouse, Alcock and his party went to the Government Exchange Bank to change their money for Japanese currency before sallying forth into the Japanese commercial district.

At the Government Exchange Bank, they found two officials sitting very straight, their legs folded under them. Before them was a large box full of new gold and silver coins. Beside the box was a set of scales and leads.

Treaty articles related to currency—Article Five of the American and Article Ten of the British treaty—stated that foreign currency could be exchanged for its Japanese equivalent in weight and type. In other words, gold coins could be exchanged for gold coins and silver coins for silver coins of the same weight. The new silver and gold coins, as well as the scales and leads, were to be used for exchanging coins of similar type and weight, as stipulated in the treaties.

At this time, Europeans in East Asia did not generally carry gold coins. Instead, they used silver coins and Mexican dollars—principally the latter. Members of Alcock's party took out their dollar coins and handed them to the officials to exchange them for new Japanese silver coins. The official placed the dollars on one scale. On the other he placed twice the number of square silver coins. The scales balanced perfectly.

Alcock and his party had been told that the square silver coins were called *ichibus* (which they wrote as "itziboos" or "ichiboos"), and that one Mexican dollar weighed about as much as three *ichibus*.

However there were only twice as many silver coins on the scale as dollars. These new silver coins weighed one and a half times more than the old *ichibus*. In other words, one silver coin was worth one and a half *ichibus*. After changing their dollars for these new *ichibus*, Alcock and his party went out into the

main street, which was opposite the front entrance of the customshouse.

Viewed from the sea, the customshouse was a little to the right of the center of Yokohama. The Japanese commercial district had been built to the right of the customshouse, in the town's northwest sector. To the left of the customshouse—the southeast sector—was empty land that was to be the site of the foreign settlement. Alcock and his party walked down the main street, toward the Japanese commercial district.

The store fronts displayed a wide selection of goods, including lacquerware, porcelain, pottery, fabrics, cabinetwork, and various types of handiwork. Some shopkeepers were setting out and arranging their stock. Goods that had just been delivered were lying about helter-skelter, still unpacked.

Wanting to browse, Alcock stopped in front of a shop selling Japanese sundries. A clerk showed him a glovebox and thrusting out six fingers, cried "six ichibus!"

One dollar was three ichibus. A younger member of Alcock's party decided he wanted the case and took two dollar coins from his pocket. The clerk looked at them and shook his head. As in Nagasaki, Japanese merchants would not accept dollars.

"All right. What about these?" asked the young Englishman, taking out the new coins that he had just received. One was worth one and a half ichibus, so four were worth six. The Englishman handed the clerk four coins. The clerk, however, was not satisfied—he thrust out four fingers twice. He wanted eight more of the new coins.

"Why, the extortionate Jew!" sputtered the Englishman. Watching this exchange, Alcock realized that something was fundamentally amiss. He asked his interpreter, Dan, to find out what the problem was. A Japanese castaway, Dan had been working on board the *Mississippi* as a stoker when he heard that the British consul in Canton had been appointed consul general to Japan. Thinking to return home as the world's first cosmopolitan Japanese, Dan had talked his way past the gates of the

Canton consulate and, becoming Alcock's interpreter and servant, accompanied him to Japan.

Dan looked at the Chinese characters that had been engraved on the front and reverse of the new silver coin. Nodding his head repeatedly, he listened to the clerk's explanation. Finally, his eyes grew wide with amazement. He turned to Alcock and the others.

"All right? Please don't be surprised." His eyes, however, were telling them to prepare for a shock.

"This silver coin is a freshly minted nishu."

What on earth was a nishu? Alcock's party asked Dan to explain.

"A nishu is worth only half as much as an ichibu."

"What . . . ?" they exclaimed in unison.

"I wonder whether this is really in accordance with the Japanese monetary system—or a simple swindle," mused Alcock. He pressed Dan to explain further.

"This new nishu weighs one and a half times more than the ichibu," Dan continued.

Alcock's party became increasingly agitated and demanded to know what was going on.

"Wait a moment," Alcock interjected. "Let's consider the facts here. In the Japanese monetary system, one nishu is worth only half an ichibu. But one nishu weighs half again as much as one ichibu. Why?"

Alcock's party fell silent, waiting for him to continue.

"When we change one dollar for nishu by weight, we receive two nishus. In effect, we are exchanging our dollar for one ichibu. But if we were to change our dollar for ichibus, we would receive three ichibus. Originally, one dollar could be changed for three ichibus, but now, with the introduction of the nishu, it is being changed for one. Now I understand—this is a means of beating down the value of the dollar to one-third."

Alcock's party was outraged:

"What a filthy snare!"

"An underhanded plot!"

"This is a scheme to make Japan, the cheapest country in the world, the most expensive!"

His party continued their chorus of complaints. Acting Consul Vyse said, "It amazes me that the Japanese would have prepared such a despicable means of violating the treaty so soon after the opening of the country."

"Indeed," replied Alcock, lapsing into silence.

To Alcock this was a greater blow than the attempt to transform Yokohama into another Dejima. The new barriers to trade that he had discovered in Nagasaki were nothing compared to this. This was more than just gutting and ignoring the treaties—it was a boldfaced challenge. It was as though the Japanese were tearing up the treaties, trampling on them, and issuing a declaration of war.



Following this incident, Alcock went directly to the *Mississippi* to discuss with Harris the two problems that seemed most pressing: the transformation of Yokohama into another Dejima-style ghetto, and the issuing of the nishu.

He had already seen how Yokohama was being transformed. He had no doubt that the Japanese government intended to make Yokohama the open port mentioned in the treaties, build a foreign settlement there, and compel foreigners to live in it.

How should Britain, as a treaty signatory, respond? First, Alcock decided, he would establish the vice-consul in the original treaty port of Kanagawa, instead of Yokohama. Next, he would have the foreign merchants who had arrived aboard trading ships (he had seen but one so far) reside in Kanagawa instead of Yokohama as well. In short, he intended to thwart the Japanese government's scheme. Then, he would go to Edo and firmly demand that the Japanese government close Yokohama and make Kanagawa an open port. This, in general, was what he wanted to discuss with Harris.

The problem presented by the nishu, however, was different: it was not what it appeared on the surface. If his senior colleague knew anything about it, Alcock wanted to be briefed

on everything, in detail. And it was imperative that he discuss this problem with Harris so that they could present a united front in the future.

Why had the Japanese government issued this currency? Harris felt that he knew the reason all too well. When Alcock asked him for an explanation, Harris quickly answered, "I had better start from the beginning, when Commodore Perry first visited Japan. Have you read his *Journal*, in which he describes what happened during his stay here?"

"Yes."

"It's all in there."

Perry had come to Japan twice. The first time was in July 1853. After delivering a letter from the President of the United States to the "emperor of Japan" (actually the Tycoon) urging the opening of the country, Perry had immediately departed for the China coast. His second visit was in February of the following year. This time, Perry dug in his heels; he was determined, at all costs, to obtain a treaty.

On his second visit, Perry came with a squadron of seven ships. Because their stay was prolonged, his ships required supplies of wood, water, food, and coal. Perry obtained these supplies from the Japanese, intending to pay for them as a matter of course. He had no desire to accept gifts from a country he was threatening with military force.

But how were the two sides to value their principal currencies—the round Mexican dollar and the square ichibu? What should the dollar be worth in ichibus? In short, they had to set an exchange rate. Perry had to negotiate this problem not only for his squadron but for all Americans who would come to Shimoda and Hakodate—the two ports opened by the Treaty of Kanagawa. Perry did not want to decide this matter carelessly. He instructed his two negotiators—pursers Speiden and Eldridge—that the exchange rate set was to be regarded as temporary, but that he wished to conduct thorough discussions to prepare for a formal decision in the future.

After signing the Treaty of Kanagawa at Yokohama, Perry

turned back toward Shimoda. There he began negotiating codicils to the treaty.

By weight, a Mexican dollar was worth three ichibus. Conversely, one ichibu was worth only one-third of a Mexican dollar.

The Japanese, however, insisted that one ichibu had the same value as one Mexican dollar, which weighed three times more. They argued that the exchange rate should be one ichibu to one dollar because the ichibu was engraved with the government stamp. Although this "stamp" consisted of nothing but Chinese characters engraved on the front and back of the coin, the Bakufu claimed that, by engraving its stamp, it had arbitrarily tripled the value of the coin. The Mexican dollar was only silver bullion, said the Japanese. It was not possible to compare it by weight with the ichibu.

This struck the negotiators as strange reasoning, to say the least. Whether the Mexican dollar and ichibu were considered "bullion" or "coins," they were both definitely silver. How was it possible to triple the value of the ichibu merely by engraving it with a government stamp?

Engraving this stamp did not require any complex skills or techniques. Anyone could make counterfeit coins and probably would, if enough money were to be made from it. The government would not be able to stop counterfeiting completely, no matter what punishments it imposed. In no time, they reasoned, counterfeit coins would flood the country and, in the end, the government would not be able to achieve its goals. With that thought in mind, the two pursers demanded an exchange rate of three ichibus to the dollar. That, they thought, was fair, since both coins were undoubtedly silver and one Mexican dollar weighed the same as three ichibus.

During the negotiations, which were held for three days at Ryozenji Temple in Shimoda, neither side would yield an inch. After the meeting on the third day, the two pursers made the following report to Perry: "Because the Japanese insist that the value of the ichibu is three times that of the dollar, they say they will pay us reckoning on a three-to-one basis. They seem to be

making a bold attempt to cheat the United States Navy out of twice the amount of silver coins."

When he heard this news, Perry wanted to return to the United States as quickly as possible. The treaty signing had been completed: all that remained was the signing of the codicils. Their stay had stretched on to more than four months; both Perry and his crew had tired of Japan. Also, they had plenty of money. Not wanting to waste any more time, Perry compromised. While reserving a final decision for the future, he showed his magnanimity by agreeing to pay for ichibus at the rate the Japanese had requested and having done so, left Japan.

On returning to the United States, Perry made a report to the United States government concerning the currency question. The Japanese position as stated in the report drew loud protests from U.S. officials.

When they considered it carefully, U.S. officials realized that the Japanese position on the currency question was nothing but a makeshift excuse—the Japanese must have mistaken them for simpletons. It was a scheme to prevent the opening of the country.

Perry had opened Hakodate to serve as a port for the hundreds of whalers that prowled the North Pacific. Shimoda was to be the next coaling station after Hawaii on the regular sea route to China that would probably be opened in the future. But what would happen if the United States failed to counter the Japanese scheme?

The whaling ships calling at Hakodate and the packets loading on coal at Shimoda would have to pay triple the amount of silver for their water, wood, food, and coal. Consequently, no American ships would call at either port—exactly what the Japanese intended. If they were allowed to succeed in their scheme, the enormous expense and effort that the Perry expedition had entailed would all be for naught. Japan would remain in utter isolation.

Everyone who saw the report agreed: the Japanese must have mustered all their cunning to come up with this plan.

The U.S. government could not ignore the challenge

thrown down by the Japanese. If it did, the treaty with Japan would become meaningless, and worse, the prestige of the young nation itself would suffer. Somehow they would have to make the Japanese conform to the treaty through proper, serious negotiations.

Article Eleven of the Perry treaty provided for a consul and stipulated that this consul could be stationed at Shimoda. Based on this article, Townsend Harris was appointed consul general to Japan. In addition to concluding a commercial treaty, his responsibilities included resolving the currency problem. Harris had applied himself to these tasks with great energy.

Harris had been told to make the currency question his first order of business. He and Alcock were talking in the officers' mess aboard the *Mississippi*. It was now noon. When their food was brought in, Harris suddenly stopping speaking and urged Alcock to eat. While they were dining, Harris continued where he had left off.

"When I arrived at Shimoda, I immediately moved to resolve the currency problem. I felt that it was an important issue that had to be dealt with quickly. One reason was that I myself have been compelled to pay triple the price of goods here. It's absurd."

"Indeed it is," said Alcock emphatically.

"Commodore Perry and his men were not the only ones to pay triple prices. Merchantmen and warships who later visited Japan all had to pay at the same rate. The Japanese compelled them to use silver coins purchased at three times their true worth. The rumor spread among Europeans on the China coast that Japan had the highest prices in the world. Because of Shimoda's terrible reputation, I have had hardly any visitors. Ever since the visit of Commodore Perry, the Japanese government has continued its underhanded policy aimed at tripling prices for foreigners and effectively preventing anyone from coming to Japan. So far, that policy has succeeded brilliantly."

"I see."

"About one month after arriving at Shimoda, I discussed the currency question with the two Shimoda governors. The

governors gave me the same cock-and-bull story they had Commodore Perry, that the ichibu has the same value as the Mexican dollar, which is three times its weight. I told them that what they were saying was absurd and asked them what was unfair about exchanging currency weight-for-weight. I very patiently explained that if they did not regard that as right and proper, then truth and justice could not exist in this world."

"What happened then?"

"We discussed currency only that one time, but four months later, the Japanese government quite coolly—yes, 'coolly' is the most fitting word—withdrew all of their old demands. In short, they finally admitted their error. You never know when the Japanese will go back on their word."

"You are saying they are not people to be trusted."

"Precisely. That is why, just to be safe, I incorporated a provision for the exchange of currency of the same type and weight in Article Three of the Convention of Shimoda that I concluded with the Shimoda governors, even though it was a convention that did not require ratification. However . . ."

"Yes?"

"After signing the Convention of Shimoda, but before negotiating the Treaty of Edo, the Japanese concluded supplementary treaties with the Dutch and Russians at Nagasaki in which they cleverly inserted an exchange rate of one ichibu to the dollar. Furthermore, that exchange is of Japanese paper money for our currency. You probably saw this in Nagasaki."

"Yes, I did."

"Those flimsy paper notes that they exchange . . . you know what I mean. They try to get around exchanging currency weight-for-weight by using paper money. They proposed an exchange rate of one ichibu to the dollar with that aim in mind."

"How were they allowed to incorporate this scheme in the Dutch and Russian treaties?"

"The main negotiator for the Treaty of Edo was Iwase, the Prince of Higo, who had just signed the supplementary treaties in Nagasaki. He has since been demoted and is no longer serving in an important post. He was a very canny negotiator and a very

troublesome one for me. He insisted that the currency article be based on the supplementary treaties. Of course, I refused. When I turned him down firmly, he suddenly conceded and agreed to insert Article Five, which provided for the exchange of currency of the same weight and type, just as I had insisted. This provision was also included in the treaties with Holland, Russia, England, and France."

"Of course."

"The treaties clearly provide for the exchange of currency of equal weight and type. I was sure that they could no longer try their old, underhanded trick of charging foreigners triple the actual prices. But now they have made these silver coins called nishus that inflate the amount of silver three times. When the dollar and nishu are exchanged by weight, the dollar is devalued to one ichibu. This is nothing but a return to their old position. Their aim is to triple prices for foreigners. There is no end to the cunning of these Japanese," said Harris with a sigh.

"I am utterly amazed, Mr. Harris."

The situation was far worse than he had feared.

Alone in his quarters after his first day out in the Japanese marketplace, Alcock sipped his habitual beverage before retiring—a tepid infusion of comfrey and cloves for his agitated digestive system.

In his first days in his new post, it had become apparent to Alcock that two problems were of the utmost urgency: first, the Japanese seemed bent on isolating the foreign community in the port town of Yokohama, which had so hastily been converted from a sleepy fishing hamlet to a trading port with all the necessary facilities.

It was obvious to Alcock that the Japanese wished to change the treaty port from the original Kanagawa, a major post town with a long history and a thriving Japanese community, to Yokohama, where few Japanese would be "contaminated" by contact with Europeans. It galled him to be treated like a member of an unclean caste, and he determined they would not get away with it. Besides, he told himself: a treaty is a treaty, a man's word is his word. If nothing else, he most definitely intended to show the Japanese what an honorable agreement with England entailed.

The second problem was economic. Alcock's feverish, overactive mind was far from winding down for a night's repose as he put out the light and sat down on the bed. He reviewed the day's events in light of what he knew so far. The Japanese repeatedly insisted that their silver coin, the ichibu, bore a three-to-one relation to the Mexican silver dollar. They insisted that in spite of the indisputable one-for-one weight equivalence of the two, the ichibu should be valued at three times its weight in silver simply because they said so. The Bakufu's government stamp on

the coin was the only justification they could give for their ridiculous claim. Surely they weren't so naïve as to think that that stamp could not be counterfeited by anyone with a talent for metalwork? And the new coin, the nishu, was just an indirect way of attaining the same end. And yet their position was inconsistent—sometimes agreeing to a weight-for-weight exchange, sometimes not.

Do they truly expect us to fall for such childish tricks, he wondered, silently renewing his commitment to the treaty as he fell into a fitful sleep.

In the dead of night his Japanese manservant in the next room awoke to the sound of agitated cries in the odd-sounding foreign tongue. "Not this time, Yeh!" called Alcock, tossing restlessly, "Not this time . . ."

2

Low
Cunning

JULY–AUGUST, 1859

The Bakufu had scheduled various diplomatic functions for Alcock. The first was a formal call on the minister of foreign affairs. Next was a ceremony to exchange the instruments of ratification. Afterward, the Japanese paid a call on the British mission to present gifts in return for the *Emperor*, a steam yacht that had been given to the Tycoon by the British queen. Although the gifts included a suit of armor and craftwork, the actual objects were not presented. Instead, Alcock was given a list of the gifts in a ceremony that struck him as wonderfully strange.

As planned, soon after the instruments of ratification were exchanged, the *Sampson* left Edo, carrying the British copies of the ratified Treaty of Edo. This hasty departure further irritated Alcock's already sensitive nerves.

Having heard from Harris in Shanghai about the poor communications between Shanghai and Kanagawa, Alcock sought an interview with the commander in chief of the China station, at which he requested the assignment of a man-of-war or gunboat—or if that was impossible, a communications vessel. The commander in chief, however, refused, saying that the squadron was in the process of being relieved and that nearly all his ships had been sent back to England. Given the unsettled situation in North China, he had no warships to spare.

And that indeed was the case: when the combined Anglo-French squadron assembled and headed north to exchange

ratifications, Central China and South China were left undefended. Moreover, the situation in North China was truly alarming.

Although Alcock did not know it, the combined Anglo-French squadron had already suffered a major blow. While on its way to exchange ratifications, the squadron had been fired upon from the Taku forts at the mouth of the Peiho River. Four gunboats had been sunk and several hundred men killed or wounded.

Alcock understood the reason for the commander in chief's refusal. He was well aware that warships were not regularly stationed at all British legations and consulates. It would have been an impossible task even for the British Navy, the greatest in the world.

Even so, Alcock could not help feeling abandoned. He later wrote:

I never knew an Admiral, or a senior officer, I think, who did not seem to consider the first duty of the Commander of a ship of war, after dropping a Minister or a Consul in the midst of a semi-civilized population,—as a man drops an awkward burden,—was to disappear as fast as possible, and leave him to his destiny or his resources. . . . There is much to regret, and something I think to amend, in the practice of dropping diplomatic or consular agents in the most remote regions, and leaving them to take care of themselves as best they can, or to be sacrificed in the attempt,—before it can possibly be known either what are the conditions under which the duties are to be carried on, or the dangers and difficulties to be encountered.

Alcock made no attempt to hide his annoyance. He had not yet overcome his feelings of abandonment when, on July 16, he received a letter from the Japanese minister of foreign affairs. It was in reply to a letter of protest that Alcock—then still off the coast of Kanagawa—had sent the minister concerning the currency question.

The only foreign languages that the Japanese knew were

Dutch and Chinese. Ever since Perry's visit, Europeans had conducted their written and verbal communications with the Japanese in Dutch. Both sides always appended a Dutch translation to every document. A Dutch translation had also come with the minister's reply. Alcock's translator soon rendered it into English.

Alcock read through it quickly. The first part was a confusing mass of figures. Then came this paragraph: "Japanese silver coins have been repeatedly reminted and each time the amount of silver per coin has been decreased. Consequently, they have become a currency that does not have material value."

After this, the going suddenly became much easier:

Japan has adopted the gold standard. Silver coins engraved with the government stamp are substitute currency for gold coins. They are thus like paper or leather bills and are good only in Japan. With the recent opening of the country, currency has come to be exchanged weight-for-weight. But because Japanese silver coins are the kind of substitute currency described above, they cannot be compared weight-for-weight with foreign silver coins. It would be like putting paper money on a scale and weighing it against silver coins. Therefore, we have measured the weight and purity of the dollar and minted comparable silver coins. We hope that you will understand our reasons for doing so. If you have any questions, please do not hesitate to ask.

The letter was nothing but a mass of Chinese-style sophistry.

One point bothered him in particular. The letter sweepingly stated that Japan had adopted the gold standard. But Harris had never told Alcock that the Japanese had made such a claim. Had Harris heard this previously? Or was this the first time? And, if it was the first time, what was their aim? The only way to clear up such doubts—or any other problem that might arise—was to consult Harris. Alcock mounted his horse and went to call on the American legation.

Harris had established his legation at Zenpukuji Temple in Azabu, about a thirty-minute walk from the British consulate general in Edo. The path from the gate of Zenpukuji to the main temple was lined on both sides with houses. Harris had rented the large house on the right as one approached the main temple. That was where Alcock found him.

"There's no end to the low cunning of the Japanese," said Harris. You are so right, thought Alcock.

"Once again they come forth with these ridiculous excuses," said Harris, scowling as he glanced through the letter. "What do you think, Mr. Alcock? The people and the government deliberately bestow excessive value on their gold and silver coins, asking for triple their worth. Do they really think they can get away with it? What kind of fools do they take us for?"

"They seem to be perfectly serious."

"But if we let them go through with their scheme, the country will immediately be flooded with counterfeit coins. Anyone can make ichibus and triple their money. So, in the end, they will not be able to achieve their aim. They will not be able to stop the counterfeiting, no matter how harshly they punish the offenders. Don't you agree? Consider this: no nation—however despotic or absolute its government—has ever successfully attempted such a thing in the history of the world."

Alcock had already considered this point. He had never read or heard of such a thing before. Harris eagerly continued, saying, "The Japanese government is trying to trick us by claiming to do the impossible. They are as shameless as thieves. This scheme of theirs is insolent, outrageous. In any event, I refuse to listen to their prattle about the gold standard and all the rest of it. Article Five of our treaty and Article Ten of yours both state that foreign currency shall be exchanged for the same type and same weight of Japanese currency. The articles also stipulate that, because the Japanese are not yet acquainted with foreign coin, Japanese customs officials will, for a period of one year after the opening of each harbor, furnish Americans with Japanese coin in exchange for ours, equal weights being given. It's all there in black and white. When we signed the treaty, one

dollar was being changed for three ichibus. That's the way it should be."

When Alcock returned to the British consulate general that day, he had determined to answer the Japanese government.

Giving reasons that are less than convincing, the Japanese government has tried to reduce the value of foreign currency to one-third. If we accept those reasons, the Japanese government will be able to lower the value of foreign currency as much as it likes—to one-tenth or one-twentieth its original value. There is no greater obstacle to trade than such a policy. But because our mission has various expenses to pay, rather than make further fruitless complaints, I am requesting that you send me two thousand ichibus, the silver coins that were still accepted when the treaty was signed with Japan.

Soon after, on July 21, Alcock received a notice announcing the abolishment of the nishu and the beginning of the exchange of equal weights and equal types of currency, on the condition that these measures be in force only "until negotiations can be arranged." Together with the notice, Alcock also received the 2,000 ichibus he had requested.

That afternoon, Harris paid Alcock a visit. "How are you getting along?" he asked. When Alcock told him the news, Harris did not look surprised.

"I see. So you have also had some ichibus delivered. You see how easily the Japanese go back on their word. They would as soon lie as breathe. This is also the Chinese government's usual method of conducting diplomatic relations, one you must have often encountered in China. You can see the same attitude in the Japanese government's handling of the currency question—there is absolutely no difference. In short, Mr. Alcock, we should ignore them. Yes, ignoring them is the best policy."

Alcock gave Harris his wholehearted assent.

Complaints were arriving in a steady stream from the foreign merchants in Yokohama.

They had come to the port loaded with goods. But, as in Nagasaki, they had been unable to sell any of them. Because paper money was not issued in Yokohama, they did not have to deal with the problem of Japanese merchants not accepting notes for the amount shown or refusing to take notes altogether. On the other hand, the nishu—the notorious nishu—had been circulated in Yokohama and, consequently, none of the foreign merchants could buy Japanese goods. The dollar fared no better: Japanese merchants in Yokohama refused to accept it. Bartering was the only alternative, but as in Nagasaki, that removed the advantages of trading in Japan.



On July 20, nine merchant ships appeared in Yokohama harbor. The captain of one soon lost patience and left, leaving eight.

Nearly all of the foreign merchants had chartered ships. Every extra day they stayed meant a higher charter fee. It had been twenty days since the opening of the ports, and the demurrage had become hard for the merchants to bear. They had money for purchasing goods but none to spare. Also, they had to pay a high annual interest—about thirty-five percent.

Foreign merchants urged their vice-consuls to demand that the Japanese government not only remove currency barriers but also compensate them for losses from delays caused by those barriers.

Vice-consuls had been dispatched by three countries: the United States, Great Britain, and Holland. To thwart the Bakufu's attempt to isolate them in Yokohama, these countries had insisted on establishing their consulates in Kanagawa. Their vice-consuls bore the brunt of the merchants' complaints.

On July 22, the day after the ichibus had been delivered to Alcock and Harris in Edo, the Bakufu announced that it would allow foreign merchants in Yokohama an exchange rate of three ichibus to the dollar.

Soon after this announcement, however, something strange occurred.

The international ratio of gold to silver was one to sixteen.

In other words, one gram of gold was worth sixteen grams of silver throughout most of the world. In Japan, however, the ratio of the gold cobang to the silver ichibu was about one to five. That is, one gram of gold was worth about five grams of silver. But what did this discrepancy mean?

It meant, for example, that a merchant with one gram of gold could exchange it in Shanghai for sixteen grams of silver. He could then come to Yokohama with that sixteen grams and exchange it for three grams of gold. In short, he could triple his money. He could then return to Shanghai, exchange his gold for silver, bring the silver back to Yokohama . . . and so on.

By repeating this process again and again he could increase his earnings endlessly. That was what the discrepancy meant.

The foreign merchants were quick to discover this perpetual money-making machine.

On July 22, foreign merchants could obtain ichibus at the rate of three to the dollar. Of course, some used these ichibus to buy goods. But the first thing most merchants did with their new ichibus was buy the golden "merchandise" known as "kobans," or as the British called them, "cobangs." The merchants flocked to the Japanese commercial district and fought to get their hands on ichibus.

No words were needed for this kind of trade—ten fingers would do.

The standard unit of the Japanese monetary system was four. Thus, one cobang was worth four ichibus.

A foreign merchant thrusts four fingers at his Japanese counterpart. The Japanese, however, does not nod yes: he wants a premium.

The foreigner shows five fingers. Even then, the Japanese shakes his head no. The foreigner extends one finger of his other hand. "How about six ichibus?" he asks. The Japanese finally nods his head yes. At the rate of one cobang to six ichibus the Japanese can still make a profit of two ichibu—or fifty percent. The foreigner, however, can make even more. By taking his cobangs and selling them abroad he doubles his money. Cobangs were not bulky. Wrapped in small parcels, they could

easily be transported to the China coast and sold. The proviso to the currency article stated that, except for copper coins, it was permissible to export Japanese currency. Because merchants were free to import and export, no one was so foolish as to make a customs declaration. Also, there were no customs duties. It was the easiest way imaginable of making a killing. Everyone began to join in the feverish rush for cobangs.



Alcock soon heard about the growing cobang fever among the merchants from Acting Consul Vyse in Kanagawa.

Alcock had recently managed to obtain some ichibus himself. He had yet to see the gold coin called the cobang, however. The ratio of the gold cobang to the silver ichibu was one to five, extremely low compared with the parity of gold and silver in the rest of world. Thus foreign merchants were frantically searching for cobangs.

But a doubt arose in Alcock's mind. His senior colleague had been in Japan for a long time. He must have known about this low ratio. He must have foreseen this wild rush for cobangs and could have had the Japanese government take measures to prevent it. Alcock left immediately for the American legation to ask Harris for an explanation.



When he met Harris, Alcock immediately posed the question that had been bothering him, though he knew he was being rudely direct.

"Didn't you know that the parity of gold to silver in Japan was one to five?"

"Yes, I knew," said Harris. "As you are no doubt aware, China has adopted the silver standard."

China was on the silver standard, but it had no silver coins. Instead, it used silver bullion as currency.

"Because it is on the silver standard, gold and gold coins cannot be used in trade. I thought that Japan was the same as

China. Japan is also on the silver standard, but it has a gold coin called the cobang, which is a kind of commemorative coin, like an American twenty-dollar gold piece. I have been to any number of shops in Shimoda, Edo, and Nagasaki, but I have yet to see it. Did you notice it when you were in Nagasaki?"

"No, I didn't."

Alcock had visited many shops in Nagasaki, but now that he thought of it, he had never seen any cobangs.

"But now that a fifty percent premium is being given for ichibus, cobangs have come tumbling out of the walls. It was careless of me not to notice. . . . But even though cobangs are not in common circulation, it is essential to know their purity. I recently sent cobangs and ichibus provided by the Japanese government to the Philadelphia mint for an assay."

While in Shanghai Harris had sent cobangs and ichibus to the United States to be tested for purity.

"They should be sending me the exact figures before long, but I already received a rough estimate in Shanghai. Would you mind waiting a moment?"

Harris went into a back room and came back with a sheet of paper.

"The Japanese gold cobang weighs about 11.3 grams," he said. "The gold content is around fifty-five percent. The remaining forty-five percent is silver. Therefore, one cobang is worth about four Mexican dollars, as measured by the international ratio of gold to silver. But in the Japanese monetary system, one cobang is worth four ichibus. That's the secret of how these merchants are doubling or tripling their money. It will be easier to understand if I illustrate it for you."

Drawing a diagram on a sheet of paper, Harris explained: "One dollar is worth three ichibus, so four dollars are worth twelve ichibus. They are here, on the left. But in the Japanese monetary system, one cobang is worth four ichibus. Therefore, twelve ichibus are worth three cobangs. As I mentioned before, one cobang is worth four dollars, according to the international ratio of gold to silver. Three cobangs are thus worth twelve dollars. They are here, on the right. In short, by changing

dollars for ichibus and ichibus for cobangs and changing cobangs for dollars, you can triple your money. This, then, is the basic reasoning behind the gold rush in Yokohama. I must admit I was astonished to find that there were so many cobangs in Japan."

Alcock was still not completely satisfied. There was still one more thing he wanted to know—"Have you informed the Japanese about this?"

"I had intended to inform them right away, but when I arrived I found that nefarious coin, the nishu, waiting for me. I was completely occupied with that. Also, the Japanese do not ordinarily use coins, so I thought that there was no need to hurry . . ."

Once again, Alcock was puzzled by Harris's answer.

"But why didn't you tell me?"

"Because of the circumstances I just mentioned."

But Harris hadn't appeared to be overly occupied with the nishu problem. Also, he could have discussed this important matter with Alcock in Shanghai or later, in Yokohama. In fact, he had had a duty to tell him. Alcock was not satisfied with this explanation.

"So that's the way things stand," said Harris. "You must tell the Japanese that they can stop the flow of cobangs out of the country by bringing the official rate of one cobang to four ichibus into conformity with the international parity of gold and silver. I will also inform them myself."

Walking back from the American legation, Alcock gradually began to understand what hadn't been clear before about Harris's rather unconvincing explanation.

It had taken foreign merchants in Yokohama only twenty days to realize that they could profit by buying cobangs and to start a frantic hunt for them, paying a premium of fifty percent.

His senior colleague, however, had been in Japan for three years. No matter how little the Japanese used cobangs, it was unlikely that Harris would not have known what the foreign merchants had discovered right away. And if he had noticed—which was highly likely—he should have advised the Japanese to take measures to prevent a wild rush for cobangs.

But Harris had done nothing. Why? Had he neglected his duty out of sheer carelessness? Somehow Alcock could not believe it.

The most likely explanation was that his senior colleague had joined the rush for cobangs himself. If he were to tell the Japanese that their ratio of gold to silver was unusually low and that they should adjust it, his cobang profiteering would come to an abrupt halt. Therefore he had not told them. No, thought Alcock, there could be no doubt about it.



There was, however, one more mystery that Alcock could not explain: the difference between currency prices in Japan and China.

When they learned about the rush for cobangs in Yokohama, the Japanese government asked Alcock about the relative values of money in China and other countries.

In Japan, one ichibu was worth 1,600 cash—the cash being an iron or copper coin that was the smallest unit of currency in China and Japan. Because one dollar was worth three ichibus, it was equivalent to 4,800 cash.

In China, however, silver was used to pay for opium and was thus constantly flowing out of the country. This caused the value of silver to rise steadily and that of cash to fall, making cash cheap. Even so, one dollar was valued at only 1,000 or 1,200 cash. But in Japan one dollar was worth 4,800 cash.

Why was it possible for the dollar to be worth so much? Alcock could not understand. He had no reply to the Bakufu's questions.

On July 31, exactly one month after the opening of the ports, Alcock received another letter from the Japanese government concerning currency.

After having it translated, Alcock read it: "Japan has many kinds of gold and silver coins with various indicated values and degrees of purity. But because they are engraved and circulated with the government stamp, there are no particular barriers to their use."

That was how it started. Still the same old verbal shell game. As Alcock was about to toss the letter away in irritation, he reminded himself that it was a diplomatic document. He couldn't very well lay it aside without reading it through. Restraining his displeasure, he pressed on:

Twenty years ago the ichibu was reminted and its volume of silver reduced. It was then circulated only in Japan. It is not possible to use this kind of coin in trade. Consequently, we have increased its silver content and returned it to the form it had twenty years ago. This coin is the nishu. Coins that are engraved and circulated with the government stamp are like paper or leather bills. It is not possible to exchange these types of coins with foreign coins weight-for-weight. In weight-for-weight exchange, the coins themselves must have intrinsic value. If you agree that this is so, why then do you object to our recent action?

Alcock understood what they were trying to say. Their argument, of course, was entirely specious. But he also remembered that his senior colleague had said:

"If they issue this currency, the country will be immediately flooded with counterfeit coins and, in the end, they will not be able to achieve their aim. They will not be able to completely stop the counterfeiting, not matter how harshly they punish the offenders. There has never been a nation—however despotic or absolute the government—that has ever successfully attempted such a thing in the history of the world."

Harris was absolutely correct. The Japanese explanation could only be a pretext.

Once again, Alcock felt like throwing the letter away, but checked himself. He continued reading: "In terms of gold content, one twenty-dollar gold piece is worth five Japanese cobangs. Therefore, one cobang is worth four dollars."

Although Alcock doubted whether the Japanese had the technology to measure the purity of coins, their conclusion was

correct. His senior colleague had said that while in Shanghai, he had confirmed that the cobang was worth four dollars.

The next paragraph, however, was clearly absurd. Its logic was nothing but a tissue of Oriental sophistry and cunning.

"In the Japanese monetary system, one cobang is worth four ichibus. One ichibu is thus equivalent to one dollar. Even if the ichibu were to weigh only one-third as much, it would still have the same value as one dollar."

Alcock's blood began to boil. Despite his exasperation, he continued:

"If the dollar and ichibu are exchanged weight-for-weight, all Japanese goods can be bought for one-third their true price, and the Japanese will have to pay triple the price for foreign goods."

Harris had told him that since Commodore Perry's visit, "tripling prices for foreigners and discouraging them from coming to Japan have become the Japanese government's standard, temporizing measures for resisting the opening of the country."

Although the letter seemed to be saying exactly the opposite, Alcock decided that it was just another example of their thievish audacity.

But where did the problem lie? After finishing the letter, Alcock turned it over carefully in his mind.

It all finally narrowed down to the low ratio of gold to silver: that was the problem. Just as Harris had said, the Japanese should adopt the international ratio of sixteen to one. That would solve everything. It would also end cobang profiteering.

But he felt it was up to Harris, who had already crossed swords with the Japanese over the currency question, to propose this solution to them.

Alcock's feeling that Harris had been buying cobangs was more a certainty than a suspicion. Also, Harris's comment that he had obtained a rough estimate of the cobang's purity in Shanghai suddenly stirred a new doubt in Alcock's mind. What had Harris been doing in Shanghai? He could have had this