

【研究ノート】

Fiscal-Imperial Sakoku: The United States Federal Reserve and Japan in Comparative Historical View

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Abstract

“Sakoku” is a common trope in historical and even present-day writing about Japan. The Japanese government, the trope runs, closed its doors to foreign interaction during much of the Edo period; it was only with the advent of the Americans in the 1850s that Japan was forced open and the sakoku policies were brought to an end. Sakoku discourse tends to be ahistorical in the context of Japan, but there is another dimension to the mischaracterization implied by the term: the United States is almost always historiographically exempted from similar analysis. In this research, I approach the question of sakoku from a comparative historical perspective, focusing in particular on fiscal and monetary history of the United States and Japan. While the United States has been increasingly at the center of global fiscal and monetary networks, mostly by design, Japan’s political leaders, policymakers, and academics, even during the period of “sakoku,” have often been much more aware of foreign factors and trends and how those affect their home country than have their counterparts in the United States. A surprising side effect of the United States’ fiscal imperialism, I conclude, is “fiscal sakoku,” wherein the expansion of Washington’s and New York’s fiscal influence overseas has led to a parallel inability, or refusal, to see beyond the fiscal borders of the United States.

Keywords

sakoku; financial imperialism; monetary policy; Federal Reserve; monetary history

Introduction

“Sakoku,” or “closed-off country,” is a common trope in historical and even present-day writing about Japan

(Economist 2022; Itoh 2000; Suzuki 2022; Keene 1976; Shiba 2022). The Japanese government, the trope runs, closed its doors to foreign interaction during much of the Edo period; it was only with the advent of the Americans in the 1850s that Japan was forced open and the sakoku policies were brought to an end. This trope is a gross oversimplification of Japanese history (Katagiri 2008; Nishio 1998). But while sakoku discourse tends to be ahistorical in the context of Japan, there is another dimension to the mischaracterization implied by the term, namely that the country which is said to have “opened” Japan, the United States, is almost always historiographically exempted from similar analysis (see Ishikawa 2008 on “opening” Japan). Japan must explain away the sakoku assessment which has often been used to characterize, even caricature, the Japanese past and present, in other words, but the United States remains strangely untouched by allegations of willing indifference to foreign affairs.

In this short research note, I approach the question of sakoku from a comparative historical perspective, focusing in particular on fiscal and monetary history of the United States and Japan. The historiography on fiscal and monetary history on the two countries paints a surprising picture. While the United States has been increasingly at the center of global fiscal and monetary networks, mostly by design, Japan’s political leaders, policymakers, and academics, even during the period of “sakoku,” have often been much more aware of foreign factors and trends and how those affect their home country than have their counterparts in the United States. A side effect of the United States’ fiscal imperialism, I conclude, is a kind of fiscal epistemological boundedness, or what I would call fiscal sakoku, wherein the expansion of Washington’s (and Wall Street’s) fiscal influence overseas has led to a parallel inability, or refusal, to see beyond the fiscal borders of the United States (see Weller 2022; Sultan 2022, 551; Lindner 2023, 184; Hobson 1938; Cain 2002; Steinmetz-

Jenkins 2022).¹

The View from the United States

Allen H. Meltzer (1928-2017) was perhaps the greatest financial historian the United States has ever produced (Wichter 2017). His massive three-volume study of the Federal Reserve is the definitive work on the subject, and will almost certainly remain so for the foreseeable future. Meltzer's study of the Federal Reserve begins, according to the subtitle of volume one, in 1913, the year in which the Federal Reserve was created (and also the year in which the Sixteenth Amendment to the United States Constitution, establishing a federal income tax, was ratified). However, Meltzer's scope extends back in time much farther than that, taking in not only the monetary and fiscal history of the United States but also predecessor policies in England, such as the Bank Charter Act of 1844 (Peel's Act), the Bank of England's charter to operate as a joint-stock bank (1697), and British monetary theorist Henry Thornton's (1760-1815) use of David Hume's (1711-1776) "basic flow analysis of monetary changes acting on home prices relative to foreign prices, thus on gold flows" (Meltzer 2003, 24, 26, 41). Meltzer's scope is truly grand, covering, apart from the British forerunners (and in extraordinary detail in all aspects), fiscal and monetary policy in the United States over a span of nearly eight decades, during which America rose to prominence as the world's lone superpower and came to hold sway over much of the globe's financial affairs. Taken together, the British and American parts of Meltzer's history cover the construction and maintenance (and, in the British case, unraveling) of an imperial juggernaut unparalleled in world history.

Meltzer carefully chronicles the foreign wars that came to consume much of the financial wherewithal, and policymaking political capital, of the United States and its leaders, respectively, during Washington's rise to imperial dominance (Meltzer 2003, 84-90, 585-607; Meltzer 2009a, 448-460). And yet, in Meltzer's immense work, foreign events are almost always subsumed within the context of Federal Reserve spreadsheets and domestic fiscal and monetary policy. This disappearing of the foreign from the fiscal is only natural in a sense. The United States found itself embroiled in conflicts and other problems in every corner of the world during the twentieth century, and a perennial, and ever-increasing, headache for America's financial and political leaders was how to pay for Washington's adventurism abroad.

Meltzer's history is of the Federal Reserve, after all, and not of the world or even of the western hemisphere. He is rightly focused, in that sense, on his subject. But what one finds in Meltzer's study, nevertheless, is a kind of epistemological closedness which I believe to be a function of Washington's increasing power. The more Washington extended its reach beyond America's borders, the more obsessed Washington became with the domestic problem of finding gold (or, later, printing money while avoiding inflation and other political liabilities) sufficient to cover the costs of overseas meddling. Imperialism, in short, produced fiscal myopia, and not, as one might expect, monetary cosmopolitanism. The American hegemon was, and remains, almost hermetic in its globe-encircling fiscal might, and became more and more hermetic the more its empire grew in size and power.

One finds this tendency to discount the foreign in much of the literature in the United States about American fiscal and monetary history. Milton Friedman's and Anna Jacobson Schwartz's classic 1963 study of American monetary history, for example, contains not one instance of the words "imperialist," "imperial," or "empire," despite the United States' having become an empire almost exactly during the chronological scope of the volume, between the years 1867 and 1960 (Friedman and Schwartz 1963). More contemporary volumes, also—and even those highly critical of the Federal Reserve—tend not to see as crucial to American fiscal and monetary policy the "exorbitant privilege" of the United States' contrived centrality in global financial and commodity-and-exchange markets (see, e.g., Leonard 2022; but see Giovannini 2011, Segal 2019, Hudson 2021, Perkins 2004, and Costigan et al. 2017). America's imperial rise, to read American fiscal and monetary histories, is almost a line item in a Fed ledger. What makes dollars flow from Federal Reserve coffers to domestic American banks, and then from American taxpayers back to Washington, is seen as nearly unrelated to the events which transpire outside of America's territory, even when America is involved in those events, and even when America pays for them. The empire, that is to say, vanishes behind a dollar-colored screen. As if to enforce the point, John Maynard Keynes (1883-1946), who was the architect of postwar America's fiscal and monetary subsumption of the British Empire at Bretton Woods, was virtually oblivious to the fiscal or monetary importance of India to his own country's empire (Carter 2020, 101-102). Another British subject, Niall Ferguson, has produced a history of money nearly as imperio-centric, or blinded to

¹ By "fiscal sakoku," I mean something different than "autism" (of intervention) as used by Austrian economists Ludwig von Mises and Murray Rothbard. See Rothbard 2004, 877. Johann Gottlieb Fichte proposed something somewhat closer to what I mean here by "fiscal sakoku." See Pollock 2022.

imperialism entirely, as was much of the oeuvre of Keynes (Ferguson 2008).

The View from Japan

Whereas in American fiscal and financial history the presence of foreign nations and overseas affairs dims as the fiscal and monetary powers of the United States grow, producing a kind of fiscal *sakoku*, the view from Japan is considerably different. In Japanese history, starting at least with the arrival of foreign missionaries in the sixteenth century and the increasing awareness among Japanese authorities of the transnational, even predatory nature of foreign powers, Japan's leaders and policymakers have been at least as concerned with the world beyond Japan's shores as with what transpires in the archipelago (de Souza and Oka 2021). Before that, too, Japan's fiscal and monetary networks overlapped with those of mainland Asia and elsewhere in many respects (see, e.g., Kuroda 2020, 255-263). It is difficult to find a historical period when Japan's economic activity was not interlaced with overseas commerce or affected by events abroad (Kawato 2020, 14-16, 162-209; Takagi 2018, 160-165; Takagi 2020, 7-59; see also Kim 2004). The monetization of the Japanese economy during the Edo period has been much researched in both Japan and the United States, but even this shift in domestic policy is intimately linked to vicissitudes in values of and trade in precious metals abroad and with Japan (Tōno 1997, 167-245). *Sakoku* or no, one searches in vain for a sustained timespan in Japanese history in which foreign affairs did not sway, and sway greatly, the fiscal or monetary policy of the country.

This tendency has only increased with time. As Japanese authorities responded to the global crisis of Euro-American imperialism and settler colonialism, those same authorities were acutely aware of how fiscal policy is inherently dual-natured, having consequences and drawing influence both at home and abroad (Horne 2018). In the late nineteenth and early twentieth centuries, Japan's wars were funded in large part in international markets (Gower 2018; see also Cha 2003, Horesh 2013, and Ericson 2022). Japan's financial policy during the Meiji Period as a whole was also highly dependent on foreign developments; fiscal policy followed suit (Ericson 2019, 124-134). World War I produced a shipping and shipbuilding boom in Japan, and then the postwar brought a devastating economic downturn (Vries 2020, 172; Inoue 1959-1962). During the Greater East Asia War, journalist and government advisor Itō Shichiji (1889-1964) wrote perceptively of the interwoven nature of American political and economic maneuvering against Japan (Itō 2023, 50-71, 276-301 (see p. 52 for mention of "*sakoku*")). As of this writing, the exchange rate of the Japanese yen to the U.S.

dollar is in historically weak territory, and the governor of the Bank of Japan, Ueda Kazuo, is facing considerable political pressure inside his home country to rectify the situation (Nihon Keizai Shimbun 2023; see also Nihon Keizai Shimbun 2024). But his hands are tied. The United States Federal Reserve, financier to the strongest imperium in the history of the planet, is aloof to foreign developments. Ueda Kazuo, by contrast, who is said to come from a land plagued by *sakoku* mentality, cannot escape them.

Conclusion

Japan, beset by *sakoku* headwinds, is fiscally sensitive to foreign influences, and has been for most of its history. The United States, by contrast, which once "opened" Japan, is fiscally closed-off, prone to a monetary *sakoku* as a by-product of its imperial expansion and involvement. The fiscal-historical comparison sketched above leads to a fiscal-historical conclusion: namely, that money is born political and remains so, and ever more so, as long as politics continues under a given currency's brand (Wray, ed. 2004; Tymoigne and Wray 2005; Keynes 1914; see also Simmel 2004, 201). When a polity goes imperial, it also, because of money's political nature, goes fiscally inner-directed—*sakoku* of the monetary variety sets in.

Contemporary debates about the origins and nature of money turn on whether money is exogenous or endogenous to political power (Wray 1999; e Soares et al. 2024; Al Qaruty 2021). These debates take place in Japan, too, and not everyone is convinced that money is ultimately political (see, e.g., Iwamura 2016). For many, though, the link between money and politics—especially overseas political power—is too painful to ignore (Uchino 2007; Takita 2002, 28-40, 82-96, 134-143; Okamoto 2018). Meltzer, by contrast, appears unaware of this dynamic (see, e.g., Meltzer 2009a, 15). That money is political seems an obvious position for a scholar of the Federal Reserve, but the international political sanitation of Meltzer's fiscal history, even though steeped in political machinations in Washington and elsewhere in America, is striking, and deserving of much more detailed study. On a similar note, American economists still regularly assert that money developed out of barter, pre-politically (see, e.g., Zeitlin 2020). This origin story is false, but may also be necessary to the delusion that money is independent of politics, that is, has no bearing on foreign escapades and is also unaffected by them.

These debates seem finally to be reaching the mainstream of American economic and political discourse—but only, it would appear, as American fiscal hegemony worldwide signals broad and quickening retreat (Newman

and Carty 2023; J.P. Morgan 2023; Pistilli 2024). American fiscal sakoku is drawing to a close, that is, because American monetary imperialism is also breathing its last. Minerva's owl takes flight. Invisible while indispensable, dollar hegemony, the lifeblood of American empire, now reveals itself as the imperial project it once underwrote unravels (but see Tamura 2023, 67-71). Many scholars, politicians, and policymakers in Japan, going back nearly five hundred years, could have instructed the purveyors of American empire as to the iron (or, rather, gold—or paper or electronic) link between what central banks monetize domestically and what armies and diplomats plunder overseas (see, e.g., Tamura 2022, 70-81). But as with all empires, with expanding power comes waxing fiscal sakoku. Washington, and New York, were blinded to the bound binary of money and imperium—until it was too late to recover either (Mabuchi and Watanabe 2022, 14-44; Matsuda 2023).

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