



Western “Money Doctors” in Early Meiji Japan: Foreign Employees in the Ministry of Finance

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“Money doctors,” according to Marc Flandreau and other scholars, were Western European and U.S. experts in international financial advising who assisted developing countries on the periphery of the gold standard in reforming and stabilizing their currencies and resolving debt crises in the late nineteenth century and the first half of the twentieth century.¹ The European and American experts who worked for the Japanese Finance Ministry in the early Meiji period were, to a large degree, forerunners of these later “money doctors.” In a global context in which peripheral areas were seeking or being forced to align their financial and economic practices with those of advanced Western nations, the foreign advisers hired by the early Meiji Ministry of Finance helped diagnose Japan’s financial maladies and offered prescriptions for curing them. The measures recommended by the Western employees played a significant role in laying the groundwork for Japan’s integration into the Western-dominated global trade and financial systems, though on occasion the patient “doctored” or refused the prescribed medicine.

In the 1870s and 1880s, Japan’s central regime, local governments, and private entities all hired hundreds of Western experts to assist with modernizing efforts in fields ranging from education and law to engineering and business.² In the early 1870s, as the government mounted its drive to gain equality with the Western powers, as many as 27 “foreign employees” (*oyatoi gaikokujin*) were on the annual payroll of the Ministry of Finance, which state leaders had established in 1869. These employees advised the ministry in dealing with the painful consequences of Japan’s incorporation into the global economy including chronic trade deficits, outflows of specie, and currency instability. Of the twenty-seven employed in 1874, seven hailed from the United States, sixteen from the U.K., and four from “other” countries. Two years earlier seven Frenchmen had been on the ministry’s roster, but from 1874 no French national appeared on the list. The first German joined in 1875, and a second came in 1876. The number of Western financial consultants and technicians remained in the double digits through the 1870s, but by 1889 their number had dropped to two and by 1893 to zero, as Japanese who had trained either abroad or in new institutions of

¹See Marc Flandreau, ed., *Money Doctors: The Experience of International Financial Advising, 1850-2000* (London: Routledge, 2003).

²The literature on *oyatoi gaikokujin* includes Umetani Noboru et al., *Oyatoi gaikokujin*, 17 vols. (Tokyo: Kajima Kenkyūjo Shuppankai, 1968-1976); Unesco Higashi Ajia Bunka Kenkyū Sentā, ed., *Shiryō oyatoi gaikokujin* (Tokyo: Shōgakkan, 1975); H. J. Jones, *Live Machines: Hired Foreigners and Meiji Japan* (Vancouver: University of British Columbia Press, 1980); Ardath W. Burks, ed., *The Modernizers: Overseas Students, Foreign Employees, and Meiji Japan* (Boulder, CO: Westview Press, 1985); Edward Beauchamp and Akira Iriye, eds., *Foreign Employees in Nineteenth-Century Japan* (Boulder, CO: Westview Press, 1990); and Umetani Noboru, *Oyatoi gaikokujin no kenkyū*, 2 vols. (Tokyo: Seishi Shuppan 2010).

higher education at home replaced the expensive Western hired hands.³ A few of those Westerners are fairly well known, in particular the banking specialist Alexander Shand (1844-1930), the Mint director Thomas Kinder (1817-1884), and the note-engraver Edoardo Chiossone (1833-1898), but others from Europe and America who served as key advisers on tariff policy and other financial issues have received little notice. This paper focuses on three foreign employees: the Scotsman Shand, a German national named Alexander Siebold, and an American by the name of George Williams.

Alexander Allan Shand was the most famous of the Westerners on the Finance Ministry payroll.⁴ In 1864, at the tender age of 20, Shand had become acting manager of the Yokohama branch of the Mercantile Bank of India, London, and China. In 1872, he entered Japanese government employment as an adviser on banking practices in the



Figure 1 Alexander Allan Shand (back row). Bank dinner, 1905 (detail). Reproduced by kind permission of NatWest Group © 2022

Finance Ministry's Paper Currency Bureau (not until 1880 did the ministry establish a separate bank bureau); he continued to serve in the ministry until 1877. For his first year, Shand received the munificent salary of ¥450 per month, raised a year later to ¥500, together with a monthly housing allowance of ¥70. At the time, top Japanese government officials were drawing between ¥400 and ¥800 a month.⁵

Shand played a major role in establishing sound banking practices in Japan, working with government authorities in setting up a modern banking system based initially on the decentralized U.S. model. Beginning in 1874, Shand taught courses on banking and public finance in the ministry's in-house school using *Principles of Political Economy* (1848) by John Stuart Mill and his own work on

bank bookkeeping. The ministry had had the draft of his book, *Detailed Method of Bank Bookkeeping*, immediately translated and published in 1873 as *Ginkō bōki seihō*. This five-volume work provided Japan's first introduction to Western bank-accounting techniques.⁶ In 1875, at Shand's urging, the Finance Ministry revised its bookkeeping methods along the Western lines that he had spelled out in his treatise. In the ministry's school, he would educate the first generation of modern Japanese bankers in Western bank history and regulations, auditing, accounting, and the like. All told, 341 students would graduate from the school during its five years of operation, the first three under Shand's instruction, and would go on to serve in Japan's banking and financial worlds. Among his pupils was Takahashi Korekiyo (1854-1936), later finance minister and prime minister, who had worked as a messenger boy for

³Umetani, *Oyatoi gaikokujin*, vol. 1: *gaisetsu*, 71-72, 80.

⁴On Shand, see especially Tsuchiya Takao, *Shando: waga kuni ginkō shi jō no kyōshi* (Tōyō Keizai Shinpōsha, 1966); Tsuchiya, *Oyatoi gaikokujin*, vol. 6: *Kin'yū zaisei* (Tokyo: Kajima Kenkyūjo Shuppankai, 1969); and Olive Checkland and Norio Tamaki, "Alexander Allan Shand, 1844-1930: A Banker the Japanese Could Trust," in Ian Nish, ed., *Britain and Japan: Biographical Portraits*, vol. 2, pp. 65-78 (New York: Routledge, 1997).

⁵Unesco Higashi Ajia Bunka Kenkyū Sentā, ed., *Shiryō oyatoi gaikokujin*, 292; Jones, "Live Machines Revisited," in Beauchamp and Iriye, eds., *Foreign Employees*, 21.

As Hazel Jones notes, "All yatoi were paid in hard coin, some in gold even after Japan opted for the silver standard." Jones, "Live Machines Revisited," 21. One gold or silver yen was roughly equal to one U.S. or Mexican trade dollar during the early to mid-1870s. Markus A. Denzel, *Handbook of World Exchange Rates, 1590-1914* (Farnham, UK: Ashgate, 2010), 529. Shand's monthly salary from 1873 to 1877 was equivalent to some \$11,000 in today's money.

⁶Norio Tamaki. *Japanese Banking: A History, 1859-1959* (Cambridge: Cambridge University Press, 1995), 34; Checkland and Tamaki, "Shand," 70.

Shand at the Mercantile Bank.⁷ The Scotsman would culminate his educational contributions by composing a banking manual, which the Finance Ministry published in serial form in its magazine *Ginkō zasshi* between 1877 and 1878, as well as a short introductory book on banking, translated as *Ginkō taii* and published in 1877. When Shand requested an early termination of his final contract, the government awarded him ¥700 for his signal contributions.⁸

After Shand returned to the U.K. and found employment at a bank that would become part of Parr's Bank, he continued to provide services to the Japanese government. In particular, after his former student, now Deputy Governor of the Yokohama Specie Bank, Takahashi approached him in 1898 about the possibility of raising a foreign loan, Shand facilitated Japan's successful flotation of bonds on the London money market between 1899 and 1907 as well as on the New York market at the time of the Russo-Japanese War. As Checkland and Tamaki assert, Shand "remained the key figure" in arranging these loans "in the sense that he was the only Westerner consulted at every stage throughout these years."⁹

Not all of Shand's advice was accepted or welcomed by Japanese officials, however. In 1874 he carried out Japan's first Western-style bank inspection after the collapse of the House of Ono, a major shareholder in the First National Bank, had raised questions about the operations of the bank. Ono's failure had brought national bank promotion to a halt, threatening to undermine the entire national banking system. In his inspection, "a rare example of an independent audit in the history of Japanese banking,"¹⁰ Shand focused on uncovering bad debts in both the First and Second National Banks, and in his report he called for reform in the method of note issuance and in the provision of overdrawing facilities.¹¹ Although the National Bank Act of 1872 provided for this type of inspection, the Japanese authorities would never employ it, and it became a dead letter. In short, they disregarded Shand's modeling of the British system of independent and unannounced bank audit.

Another case in which the Japanese dismissed a recommendation by Shand occurred when the government decided in 1876 to remove the specie reserve requirement for national banks after only four banks had opened for business. Shand vigorously opposed the issue of inconvertible notes under the revised regulations for national banks and instead recommended the founding of a central bank as the sole issuer of notes convertible into specie. In a written opinion, he cited the central banks of England, France, and Germany to argue that the global trend was toward the centralization of note issuance and the separation of such issuance from banking business; he also warned—presciently, as later developments would bear out—that ending the convertibility of national bank notes risked triggering inflation.¹²

Tokunō Ryōsuke (1825-1883), head of the Paper Currency Bureau, rejected Shand's advice, declaring that giving national banks based on public bonds the right to issue inconvertible notes was indispensable to the program adopted that year of commuting samurai stipends into public bonds and maintaining the value of those bonds. Thus, while making it easier to found national banks by eliminating the reserve requirement, the banking revisions aimed at encouraging the use of commutation bonds as capital for the banks, thereby helping to secure the livelihood of ex-samurai. Tokunō went on to state that creating a central bank along the lines of the Bank of England, as Shand was advising, would require the withdrawal of the inconvertible notes in circulation and a resulting reduction in the

⁷For more on Takahashi's connection with Shand, see Richard J. Smethurst, *From Foot Soldier to Finance Minister: Takahashi Korekiyo, Japan's Keynes* (Cambridge, MA: Harvard University Asia Center, 2009).

⁸Unesco Higashi Ajia Bunka Kenkyū Sentā, ed., *Shiryō oyatoi gaikokujin*, 292.

⁹Checkland and Tamaki, "Shand," 76.

¹⁰Checkland and Tamaki, "Shand," 73; on the impact of Ono's bankruptcy, see Tamaki, *Japanese Banking*, 33.

¹¹A. Shand, "Daiichi Kokuritsu Ginkō kensa hōkoku," 2 vols., *Ōkuma monjo*, A1126, Waseda University.

¹²Yoshino Toshihiko, *Nihon Ginkō seido kaikaku shi* (Tokyo: Tōkyō Daigaku Shuppankai, 1962), 57.

compensation to members of the former ruling class.¹³ In late 1881, Shand would outline his views on central banking in a letter to his old employer, Ōkuma Shigenobu (1838-1922), recently ousted from the Meiji regime, as Japan finally moved to establish a Bank of Japan with a monopoly on note issue—though on the statist Belgian model, not the liberal British one.¹⁴

Alexander George Gustav von Siebold (1846-1911) was unique among Western employees of the Meiji government in the length of his service, which spanned four decades. Siebold came from a family of renowned scholars and collectors,¹⁵ but his work on behalf of Japan has gone largely unnoticed. Alexander was the eldest son of the famous German physician at the Dutch trading post in Nagasaki in the 1820s, Philipp Franz von Siebold (1796-1866),



Figure 2 Alexander von Siebold. Photo courtesy of Siebold-Archive Castel Brandenstein, Schluechtern-Elm, Germany.

a pioneer of Japanese studies in Europe. When Philipp returned to Nagasaki in 1859 following the opening of the treaty ports, he brought his teenage son with him. Alexander quickly became fluent in Japanese; and, although his father left Japan for good in 1862, he stayed on as official interpreter for the British legation in Edo. After the Restoration, he began working for the Japanese government in 1870, eventually becoming an official interpreter and translator for the Ministry of Finance in 1875. In the latter half of the 1870s, Siebold would present Finance Minister Ōkuma with some thirty reports as well as translations of laws and regulations relating to financial developments across Europe, many of them in Japanese by his own hand. These memoranda and translations kept Ōkuma informed on such issues as the passage of the German Bank Act of 1875 and the revision of customs duties between France and Austria in 1877.¹⁶

Besides interpreting for the Japanese delegation to the 1878 Exposition Universelle in Paris, Siebold accompanied the head of the delegation, future finance minister Matsukata Masayoshi (1835-1924), on a visit to Brussels to inspect the National Bank of Belgium, which would become the model for the Bank of Japan.¹⁷ During Matsukata’s nine-month sojourn in Europe, Siebold also went with the delegation chief on a tour of various European capitals where Matsukata exhorted Japanese consuls to push for treaty revision so that Japan could increase customs duties to aid fledgling domestic

industries and raise revenue for the Japanese treasury.¹⁸

¹³Ishii Kanji, “Nihon Ginkō seido,” in *Nihon Ginkō kin’yū seisaku shi*, ed. Ishii Kanji (Tōkyō Daigaku Shuppankai, 2001), 17.

¹⁴A. Shand to S. Okuma, “Nihon Ginkō setsuritsu no ken,” December 15, 1881, *Ōkuma monjo*, C728.

¹⁵Several European museums feature collections of plants, coins, and other items from Japan donated by Alexander’s father, Philipp, and a younger brother, Heinrich, who joined William in Japan in 1869.

¹⁶A. Siebold, “Geruman koku ginkō hō,” 3 vols., March 14, 1875, and “Fu Ō ryōkoku kan no zeisoku kaisei ni kansuru hōkokusho,” December 20, 1877, *Ōkuma monjo*, A4470, A4477.

¹⁷Hyōdō Tōru, “Matsukata Masayoshi no tai-Ō ki ni okeru keika to bunseki: Tani Kin’ichirō ‘Meiji jūichi nen tai-Ō nikki’ o chūshin to shite,” *Tōyō kenkyū*, no. 73 (January 1985): 102–04, 114–15.

¹⁸Hyōdō, “Matsukata Masayoshi no tai-Ō ki,” 111–13, 119. In March 1878 Siebold sent Ōkuma a report on his inspection of financial administration in Germany and Austria-Hungary. A. Siebold, “Doku Ō zaimu gyōsei hōkokusho,” *Ōkuma monjo*, C748.



Figure 3 Postcard of the National Bank of Belgium in Brussels circa 1905. Collection of the author.

Helping with treaty revision negotiations would be Siebold’s greatest contribution to the Meiji regime. In 1881 he would support Foreign Minister Inoue Kaoru (1868-1912) in Berlin during extended but ultimately abortive negotiations over treaty revision with the German government. Success would finally come in London in 1894, when Siebold assisted Ambassador Aoki Shūzō (1844-1914) in concluding the Anglo-Japanese Treaty of Commerce and Navigation, by which Japan would not only secure the abolition of extraterritoriality in 1899 but also begin the process of recovering tariff autonomy.¹⁹

The least known of the three foreign employees highlighted in this paper is the American George B. Williams (b. 1841). A former banker and deputy commissioner of customs in Washington, Williams served in Tokyo from 1871 to 1875 as “Adviser to the Minister of Finance and to the Head of the Taxation Bureau.”²⁰ He received a significantly higher salary than Shand did—a princely \$10,000 a year (over \$200,000 in today’s money). The Finance Ministry also hired another American to be Williams’ assistant, Samuel W. Williams (perhaps George’s older brother),²¹ for \$8,000 but declined to renew his contract when it expired in 1874.

¹⁹ Charles Lowe, introduction to Alexander von Siebold, *Japan’s Accession to the Comity of Nations*, trans. Charles Lowe (London: Kegan Paul, Trench, Trübner, 1901), viii. See also Vera Schmidt, ed., *Korrespondenz Alexander von Siebolds: in den Archiven des Japanischen Ausssenministeriums und der Tōkyō-Universität, 1859-1895* (Wiesbaden: Harrassowitz, 2000).

Japan’s average tariffs on imports rose from 3.91 in 1893 to 9.88 in 1903 and then to 19.81 in 1913 after the recovery of full tariff sovereignty in 1911. Ipppei Yamazawa, “Industrial Growth and Trade Policy in Prewar Japan,” *Developing Economies*, vol. 13 (March 1975): 51. http://www.ide.go.jp/library/English/Publish/Periodicals/De/pdf/75_01_03.pdf, accessed June 15, 2021.

Alexander’s younger brother, Heinrich, a translator for the Austro-Hungarian legation in Tokyo, also did work for the Finance Ministry. Hyōdō “Matsukata Masayoshi no tai-Ō ki,” 108, note 4. His correspondence with Ōkuma includes a report dated September 1, 1877, on the current state of Russian public finances and another dated December 14, 1879, on Germany’s lifting of its silver embargo. H. Siebold, “Meiji jū nen Ro koku zaisei no jikkyō,” and “Doku seifu no gin kaikin o hōzu,” *Ōkuma monjo*, A4498, C776.

²⁰ Unesco Higashi Ajia Bunka Kenkyū Sentā, ed., *Shiryō oyatoi gaikokujin*, 222.

²¹ Not to be confused with Samuel Wells Williams (1812-1884), missionary, diplomat, and Sinologist who accompanied the 1853 Perry expedition to Japan as official interpreter.

The ministry had also intended to let George Williams go at that time; but, as the finance authorities noted in the Dajō ruiten (Grand Council of State Collected Records) for October 13, 1874, “we are in the midst of looking into laws on various taxes beginning with customs duties, and we wish to investigate such matters carefully and arrange proper methods.” The officials went on to affirm: “In truth, George B. Williams is proficient in tax law in general. Furthermore, last year he accompanied former junior assistant minister of finance Yoshida Kiyonari (1845-1891) to Europe and the United States and worked diligently on matters such as the flotation of public bonds.” In short, they declared, it would be a “hindrance” to release Williams now.²² Accordingly, the government extended his contract for another year. Even after Williams moved to Britain at the end of his service in Tokyo, the Finance and Home Ministries employed him for nine months as an agent to assist two Japanese officials dispatched to London to promote Japanese goods under a government export program.²³

Among his many contributions, George Williams helped with the reform of Japan’s coinage system, banking laws, and patent structure; took part in loan negotiations for the Japanese government; and monitored economic conditions worldwide for Finance Minister Ōkuma: the Ōkuma archive contains over thirty folios of his reports on topics ranging from data on gold and silver production in the United States (1875) and comparative trade statistics for Britain and France (1875) to an annual budget proposed by the Russian finance ministry (undated) and a public bond floated by the Turkish government (undated).²⁴

Williams also played a supporting role in the U.S. government’s agreement in 1878 to revise the tariffs imposed on Japan under the unequal commercial treaty of 1858. In a letter he sent to U.S. Minister to Japan John Bingham (1815-1900) shortly after leaving Japanese government service, Williams wrote that he had informed President Ulysses S. Grant (1822-1885) about the Japanese tariff and “the difficulty under which Japan labored. The president . . . said he was not aware that the customs duties of Japan were determined by Treaty and that he did not see the justice or necessity of so determining them; . . . he thought Japan should be left untrammelled in the matter.” Grant concluded by stating that Williams should tell Yoshida Kiyonari “to present some proposition from the Japanese government.”²⁵ For his emphatic support of treaty revision, the former president would receive a warm welcome during his unofficial visit to Japan in 1879, a visit that coincided with the ratification of the new treaty.

Michael Schiltz has applied the term “money doctors” to Japanese experts who did financial advising in Japan’s colonial and semi-colonial possessions, working—in a manner not unlike that of their Western counterparts—to turn the Japanese empire into a “yen bloc” prior to the Asia Pacific War.²⁶ By contrast, the European and American specialists employed by the Ministry of Finance in the early Meiji years helped put Japan on the path to securing the respect of the treaty powers through the reform of its financial system and eventually to recovering full sovereignty. By the same token, however, their prescriptions also had the effect of tying Japan’s fate more closely to Western-centered trade and financial networks in a continuing asymmetrical economic relationship through the turn of the century.

²²Quoted in Tsuchiya, *Oyatoi gaikokujin*, 12.

²³Tsuchiya, *Oyatoi gaikokujin*, 13-15.

²⁴Jones, *Live Machines*, 90; Hazel J. Jones, “Live Machines Revisited,” 21; Ōkuma *monjo*, “Letters, Reports and Memoranda from Foreigners to S. Okuma and Others,” C883-C922.

²⁵John Y. Simon, ed., *The Papers of Ulysses S. Grant*, vol. 29 (Carbondale, IL: Southern Illinois University Press, 2008), 212.

²⁶Michael Schiltz, *The Money Doctors from Japan: Finance, Imperialism, and the Building of the Yen Bloc, 1895-1937* (Cambridge, MA: Harvard University Asia Center, 2012).



Figures 4 and 5 Obverse and reverse of Meiji 1876 one-yen coin. Collection of the author.



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