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Changes in the Japanese Currency System due to the Interactions in East Asia from the 15th to the 17th Centuries

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0. Introduction

The main topic of this presentation is to examine economic interactions in East Asia from the 15th to the 17th centuries; by focusing in the 17th century on these interactions' political and social aspects as they evolved in a dynamic fashion.

This presentation will examine two main topics. The first topic regards a peculiar aspect of the multiple currencies circulating in Japan in the 16th century. The second topic deals with the establishment of a new monetary system, called “the three currencies' system,” at the beginning of the 17th century. In essence I will examine how both topics are related to the economic interactions that Japan established in East Asia.

But before that, I examine why Chinese coins became to circulate in Japan as only currency in the 12th century. Then, we will consider peculiarity of currency circulations.

1. Medieval Currency in Japan

In Japan the court began issuing privately minted coins in the 8th century, earlier than in other countries and regimes around China. Examples of such ancient minted coins are the so called *Wado-kaichin* minted in 708. However, the issuing of coins was suspended by the mid of the 10th century. Since then the court and people in Japan had used rice and silk textiles as currency until the mid of the 12th century. These items were used as main tributes at the time; therefore they had a high value in the Japanese market and were also circulating as currency.

But by the mid of the 12th century (around 1160) a huge amount of Chinese coins flew into Japan and circulated as currency within the Japanese archipelago. In China the Song dynasty minted an enormous amount of coins in the 11th century. After, those coins circulated abroad, mainly into Japan and other regions surrounding Song China.

In Japan these coins from China called *Toraisen* (or coins coming from China), had become the main currency and circulated in Japan until approximately the latter part of the 15th century. So we intend them as being “medieval currency”.

Why the Japanese court and society accepted Chinese coins as currency? So far, several researchers stated their ideas in that regard. A commonly accepted view, proposed by Mori Katsumi, is that Chinese coins were the currency of the foreign trade settlements in the East Asia [Mori 2008].

However, that proposition has been disregarded, because the currency of these trade settlements in most cases was gold, and not coins. I guess as follows. Chinese merchants that resided in Hakata, the biggest trading port of Japan located in northern Kyushu, had used Chinese coins as currency within their community. The payment of Chinese coins gradually spread among Japanese merchants in Hakata and Kyoto where the aristocracy lived and bought Chinese goods through merchants. After all, Chinese coins began to circulate as currency in these cities and spread to other regions within the Japanese archipelago.

On the other hand, until the end of 12th century, the court of Japan was reluctant to permit Chinese coins to be the official currency, because, perhaps, lords getting their revenues from estates were afraid to fall

the market price of rice and silk that they levied as tributes.

It meant that medieval currency prevailed in Japanese society by being used mainly for private transactions “autonomous” from the market place and not being used for official payments such as the expenditure of the court [Nakajima K. 1999]. That meant that the market without the influence of any sort of authority, permitted the circulation of medieval currency “autonomously”. The authority of medieval Japan like the court and the shogunate did not issue laws regarding the order of the currency until the latter 15th century due to the stability of such autonomy.

2. Multiple Currencies in the 16th Century

In the latter half of the 15th century, in Ming China the minting of paper currency became corrupted and the Ming decided to switch to a tax system based on silver currency. Therefore, the minting of coin mostly stopped. In Japan, the finance of the Muromachi shogunate fell into disarray, because the finance of the shogunate depended heavily on earning funds by selling imported Chinese products and by relying on Ming coins as currency.

On the other hand, several researchers insist that a lot of privately minted coins in Fujian were still flowing into Japan [Ota 1995, Kuroda 2014]. Probably it is true the fact that there were still Ming coins being traded into Japan from Fujian, but it is my guess that their amount was not relevant as to have an impact in the Japanese economy because there is no clear indication that it was the case in Japan. Rather, it is rational to consider that the Japanese economy in the last part of the 15th century suffered from a serious shortage of coins if we consider other phenomena that occurred in this era as well [Nakajima G. 2012].

By the way, in the last part of the 15th century despite the fact that silver had become the main currency not only in China and East Asia (including the Korean peninsula) [Von Glahn 1996], that was not the yet the case in Japan. The reason for that difference between Japan and other regions is not clear yet. Considering that in Japan people could hardly get any silver, and its circulation within Japan was irrelevant. In fact, The Muromachi shogunate requested Ming China to send coins instead of silver, but this request was not taken into consideration. That request shows that the demand of silver in Japan was not high even for rulers and probably for merchants as well. Japan was the outside the circle of silver using countries until the mid of the 16th century.

Focusing into Japan, by the end of the 15th century, several regional rulers called *Sengoku Daimyo* emerged. They were independent from the central authority located in the capital Kyoto. These regional rulers built in their ruled territories, called *Ryogoku* or autonomous bloc economies [Suzuki 2000]. Therefore, merchants supplied the necessary currency in each territory, and they took part in maintaining the currency in circulation within those territories (Not by Daimyos).

Those territories formed bloc economies and were controlled by merchants and financiers. Consequently, financiers and merchants minted regional currencies (private minted coins) and supplied those within each market. If these regional minted coins flew out into other regions, they were not considered currency anymore, but bad coins (*Akusen*) and were rejected as currency.

Meanwhile, the distribution between each regions was maintained by providing luxury products such as porcelain imported from China, local specialties, weapons and ammunition. The medium of such interregional exchange had to be naturally an interregional currency, because regional currencies could not

perform such role. The principal interregional currency, made up of coins called *Seisen* or “distinguished” Chinese coins, was minted by the court; hence it was retained as an “official” currency in Japan as it possessed good quality and was in perfect condition.

At the same time a similar phenomenon was present as well along the Chinese coast [Kuroda 2014], so the existence of an intra regional currency was one of the essential characters of currency circulation in any region or in any given period.

3. East Asia and Japanese Currency in the 17th Century: the Establishment of a Tri-metallic Currency System (*Sanka Seido*)

The discovery and extraction of silver from the Iwami (or Omori) silver mine from the 1530s was one of the most important events that stimulated the economy of East Asia. However, in Japan, silver began circulating as currency probably since the 1550s due to the *Nanban* trade, the trade with the maritime East and South East Asia through merchants of the maritime Asia and them (or missionaries) from Europe, for example, Spanish merchants in Luzon and Portuguese merchants in Macau, and they resided in Kyushu Island where was located in the west of Japanese archipelago.

In Japan silver as currency made its appearance by the 1570s and spread among Japanese people (not traders), especially among Kyoto residents. By then also gold began circulating as currency in Eastern Japan (Kanto district) due to the discovery of gold mines there.

Although, there was a difference in usage for silver and gold among regions in Japan, both of them were usually exchanged as currency to settle expensive payments or payments between distant areas.

Therefore, silver and gold replaced the function held previously by the *Seisen*, while the usage of the *Seisen* coins declined. They remained in circulation, but devalued. Meanwhile, regional coins with a lower value were circulating within each region simultaneously.

In 1603, Tokugawa Ieyasu established the Tokugawa shogunate, as a central government, that had newly united the Japanese archipelago under its control. The shogunate aimed to enact a clear fiscal policy by minting its own currency. A good example of it was when it started to mint official gold currencies, such as *oban* and *koban* (called *hankin*), and silver ones, such as *chogin*.

However, a true unified usage of the central government minted coins occurred much later as, unlike gold and silver currency, many coins circulated regionally in diverse areas. For example, the *Hagisen* coins circulated as regional coins in the Hagi (or Mori) domain (the Suo and Nagato provinces) [Honda 2005], or the new coins, called *Shinsen*, circulated in the Kokura (or Hosokawa) domain (the Buzen province) [Ito 1984, Kawato 2008b], or the *Kajikisen* coins (minted in Kajiki) circulated only in the Kagoshima (or Shimazu) domain (the Satsuma and Osumi provinces) etc.

They needed to mint coins to facilitate commercial dealings in their territorial markets as the flow of coins from China was not always steady and there were periods of stagnation, particularly when direct trade with China was interrupted. In surrounding regions as in Ryukyu, referring as a comparative case, the court had resorted to mint their own coins called *Hatomesen* coins by the end of the 16th century. That phenomenon occurred in synchronicity with Japan.

By the way, the shogunate aimed to govern all over Japan and, in order to do so, it executed the planning and maintenance of road systems, and post stations to facilitate exchanges and commercial

connections, and only by then the government established a common currency. Therefore, a common currency was an important issue for the shogunate, and it tried to solve it by minting the *Kan'ei* coins, as official currency in 1636.

In the middle of the 17th century after the “closed country” or *Sakoku* policy was established in 1639, the shogunate regulated the exports of silver, since the amount of mined silver in Japan had declined gradually. Accordingly, other methods of payment became necessary to maintain a continuous flow of trading activities with Dutch merchants who were the only counterpart for trading with European merchants.

Furthermore, the conflictual dynastic change that took place from the Ming-Qing change manifested itself on the Japanese market by a lack of coins from China, and a new demand of coins arose suddenly. And the Dutch East India Company (VOC) paid attention to the increasing price of coins, taking advantage of that opportunity began to export coins (or raw copper) instead of silver from Japan. Whereas, the shogunate minted counterfeit Song coins from 1659 in Nagasaki, called Nagasaki trade coins, and using those settled accounts with Dutch trades (these coins were minted until 1685).

Nevertheless, as the outflow of coins from Japan had been constant, the shogunate started to mint numerous amounts of *Kan'ei* coins due to an anxiety of the lack of coins in the 1660s. The amount of coins supplied by this time was much higher than in 1636. By consequence, the Japanese market eliminated the Chinese coins by way of trading them elsewhere, and the Japanese authorities stopped to use Chinese coins as currency by the 1670s.

Eventually, the remaining Chinese coins in Japan lost their value as currency and flew away most likely through the Dutch route from Japan to Batavia and Vietnam and from there back to China.

4. Conclusion

As previously stated this presentation has examined the history of Japanese currency related to East Asia. I do conclude by mentioning the most salient points as follows:

In the 16th century, daimyo's created bloc economies within their regionally ruled territories as a byproduct of the turmoil of civil wars, that saw gradually a declining flow of coins into Japan. Hence, regional currencies began to circulate within each economic bloc establishing a regional currency system in each bloc. While that occurred, the *Seisen* coins were used as the medium of inter-regional exchange circulating in several markets. In Japan such multiple currency system spurred naturally from autonomous market practices.

At that time, the Iwami silver began to circulate in the international settlement of East and Southeast Asia, but in Japan it came to be used as currency after the 1570s. Its use was clearly different than how it was used as an interregional currency in inner China. The silver from Iwami initially flew just out of Japan. From the 1570s in Japan, gold, silver (and rice) circulated as currency and they co-existed as currency until the first half of the 17th century, when international exchanges in East Asia were quite active.

After 1603, when the shogunate almost closed the country to foreign (European) traders, it minted the *Kan'ei* coins as internal only official coins to solve the lack of them. And Chinese coins lost their value as currency in the 1670s and flew out to Southeast Asia, where they still were in high demand, furthermore, in a cyclic way, they flew back again to China, where they once came from.

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