

# Yasuda Zenjiro: Money Changer, Nation Changer

By Naoki Kojima

Yasuda Zenjiro was one of the greatest bankers Japan has ever known. Between the time he was born on October 9, 1838, the first son of a low-ranking samurai family in Etchu (now Toyama) and the time he was assassinated on September 28, 1921, at his villa in Oiso (in Kanagawa Prefecture), he built a great banking corporation (today's Fuji Bank) and brought it to preeminence.

Yasuda's father was not a samurai by birth but a farmer who had purchased a fingernail hold on the lowest rung of the samurai ladder. Thus it was that Yasuda grew up—half farmer, half samurai—helping the family make ends meet by selling vegetables and flowers and working as a scribe copying texts. This transcription work was especially important for Yasuda, both because he was inspired by a biography of Toyotomi Hideyoshi that he transcribed telling how Hideyoshi had risen from the dregs of society to become ruler of all Japan, and because of the doors that his superior penmanship opened for him.

At the age of 20, Yasuda decided to set off to seek his fortune in Edo. Legend has it that he had seen a heavily guarded litter with the feudal lord's crest and, assuming that the person inside was some high-ranking official, had asked other onlookers who it was. "That? That's the head clerk from an Osaka money changer's office," came the reply. Despite the fact that merchants were officially the lowest of Japan's four social classes, it was immediately obvious to Yasuda where the power lay. At the time, the Etchu fief was borrowing money from the Osaka money changers, and the man with the money had far more clout than the officious samurai. It was then that Yasuda resolved that, rather than seek favor with the samurai, he would become a merchant and let them seek favor with him.

## The early years

During his first three years in Edo, Yasuda worked for a toy wholesaler, and for the next three years he served at Hirota-

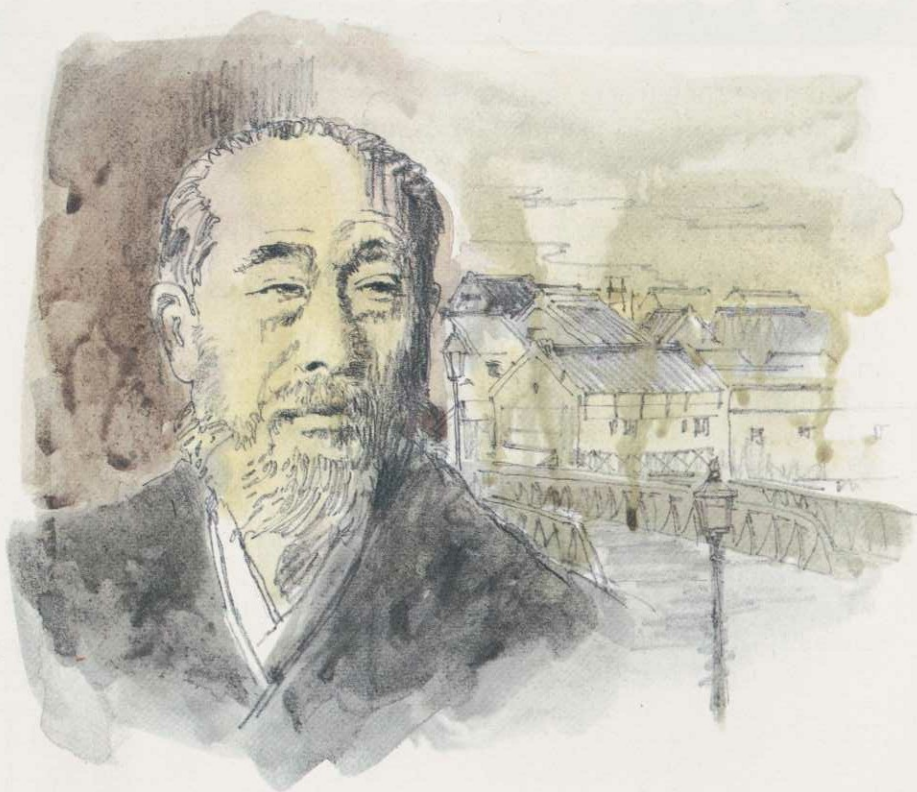
ya—a shop that both sold seaweed and acted as a money changer. It was during his three years at Hirota-ya in the Nihon-bashi district that Yasuda developed the ability to assess the values of the different kinds of metal coins and to weed out the adulterated or counterfeit coinage.

At the time, the big banks (Mitsui, Ko-noike and others) dealt in promissory notes and money changing directly for the shogunate and lent money to the various feudal lords. They were very much banking concerns. By contrast, the small money changers such as Hirota-ya made their living by going around to their clients and performing exchanges of the gold, silver, copper and steel coins in circulation. Thus Yasuda could often be seen on the streets of Edo pulling his heavy safe on a cart behind him.

This experience made him determined to go into business for himself. At the time, he had a total savings of five *ryo*.

Because five *ryo* was not even enough to rent a shop, he started out as a money changer on the street, spreading his stock out on a board in front of him. This quickly became a topic of conversation in Edo, since it was then unheard of for a money changer to set up shop on a street corner. Yet Yasuda was hard-working and had a good head for business, and four months later, in 1864, his working capital had increased five-fold to 25 *ryo*, and he was able to set up shop as Yasuda-ya.

He subsequently married Fusako, fourth daughter of a merchant. Fusako was 21, six years younger than Yasuda, but she was a woman of good breeding and an excellent wife who did much to help him. With Fusako minding the store, Yasuda was free to make his rounds and conduct business. So successful was he that he was elected an officer of the money changers' association the following year. By 1866, Yasuda-ya had changed



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its name to Yasuda Shoten and concentrated exclusively on currency exchange.

In 1867, the first battles erupted in the great civil war that culminated in the overthrow of the Tokugawa shogunate. This was a time of social and economic turmoil. Not only were foreign powers knocking on Japan's doors, but thievery was rampant and rogue samurai from all over the country streamed into Edo, looting and stealing for what they termed "the cause." Faced with crisis, the Tokugawa shogunate ordered Edo's money changers to buy up the old coinage so that it could issue new money. However, given the dangers of having large sums of money on the premises, most of the money changers decided to ignore the shogunate's edict. This was the chance Yasuda had been waiting for.

## The great gamble

Taking a calculated risk, Yasuda accepted the shogunate's commission and made arrangements to hide the money that he collected in a friend's underground vault. By New Year 1868, the year the shogunate fell to the new Meiji government, Yasuda had a total of 3,734 *ryo* in his possession—more than half of it his own and the rest on deposit from others. This was not bad for someone who had started out seven years earlier with a total of five *ryo* and only a street corner for his shop.

Yasuda's luck continued to hold. One of the first acts of the Meiji government was to issue a new paper currency to shore up the government's shaky finances. Yet after the recent upheavals, this new paper currency was greeted with disdain. Not only were people unsure of the government's stability but they were used to using metal coins and were uncomfortable with the flimsy paper money. When it was used at all, the new money traded at a heavy discount. There were dual prices for everything—one price in old money and the other in new money. One year after the new currency was issued, it was still trading at a 72% discount (meaning that 100 *ryo* of the new money was worth only 38 *ryo* of the old). Frustrated by this lack of acceptance, the new Meiji government issued an ordinance in May 1869 mandating fines for anyone refusing to accept its new paper money at full face value. With this, the new money finally gained credibility and dual pricing ended.

Alert to the possibilities and willing to bet on the Meiji government's future, Yasuda invested heavily in the paper money between the time it was first issued and

the time it was accepted at face value. Even when the paper money was most scorned, Yasuda was confident that the new government would use its full authority to see that it was accepted at face value, and he moved aggressively to buy it up at heavy discounts. When his expectations were borne out and the government's new currency was finally accepted the year after the revolution, Yasuda had made a fortune from his currency speculation. At the same time, the money-changing business was growing rapidly, and he gradually branched out into money lending, accepting deposits and the other trappings of modern banking.

In 1876, Yasuda founded the Dai-san Ginko (Third National Bank), and in 1880 the Yasuda Shoten changed its name to the Yasuda Bank. Prominent in business circles, Yasuda moved to diversify and expand, bringing a wide range of financial operations (banking, insurance and more) under the Yasuda wing. He was a person who grew with his times. By 1920, he had 20 banks, four insurance companies and 15 other companies in the Yasuda *zaibatsu*. One of the distinctive characteristics of the Yasuda *zaibatsu* was that it was centered on capital and financing and was not primarily a group of manufacturing companies.

## Dreams of grandeur

In his later years, Yasuda was very interested, both personally and financially, in two major undertakings. One of these was the building of a high-speed rail line between Tokyo and Osaka. Although he was unable to do this because the Ministry of Railways opposed it, this dream was later realized in the Shinkansen linking Japan's two great metropolitan areas today. The second was that of developing Tokyo into a world-class city, including dredging and landfilling in Tokyo Bay—the very sort of thing that is now being bandied about by the government as part of its expansionary public works program. Yasuda was heavily committed to this, but his untimely death in 1921 kept him from seeing his dream through to completion. In addition, Yasuda was a major public benefactor, putting up the money to build Yasuda Auditorium at the University of Tokyo and Hibiya Public Hall in central Tokyo, and he had many other public-interest projects in progress and in mind at the time of his death.

In a famous passage that he wrote "to set the record straight" when he retired from active management, Yasuda wrote that he had made his fortune by strictly observing the principle of limitations. Un-

der this principle of limitations, he argued that there were certain inherent limits based on whether an operation was just beginning, in midterm or an established success, and that any operation that lived beyond its means was doomed to failure. "When I started out," he wrote, "I resolved never to spend more than 80% of my income, and I have held fast to this rule ever since. Even today, I continue to set aside the remaining 20% as savings or contingency funds. But since I live a very regular life, the 80% is sufficient for my needs and I have never had to draw on these contingency reserves. Not only did I observe this rule of 80% in my own life, I also insisted on this principle of limitations in my public works as well.

"Even a person who observes limits in his personal life is liable to exceed them if he is overly ambitious or tries to reach too high in business. If someone has only ¥100 income, it would be folly for him to throw away ¥100 or ¥200 on public works. These good works may be in the public interest and the person praised for his generosity, but he will eventually end up bankrupt and having to depend upon others' generosity himself. It is easy to be frugal when you are poor, but much more difficult when you are rich. Yet it is no less important that the rich also live within their means."

In 1921, he was still as vigorous as the day he first set out on his long journey from Etchu to Edo. Yasuda was a hale and hearty 83 on September 27 when a man calling himself Asahi Heigo showed up at the Oiso villa where he was staying. Unable to obtain an audience with Yasuda that day, he was back the next evening demanding a contribution for the construction of a hostel for laborers. Yasuda was well known for not liking to be asked for contributions, and he had frequently been quoted as saying, "What can a person expect to accomplish if he is always relying upon the generosity of others? If a person really wants to do something, he should be willing to do it with the sweat of his own brow and relying upon his own wits. The road to hell is paved with contributions." When his request was denied, Asahi stabbed Yasuda to death and then committed suicide.

At the time of his death, Yasuda's fortune was estimated at between ¥200 and ¥500 million. Given that the ensuing years have seen inflation of about 400-fold, this translates as ¥80 to ¥240 billion in present terms. This was Yasuda Zenjiro, a man whose business acumen took him from selling vegetables in Etchu to financing urban redevelopment in Tokyo, all within a single lifetime. ●