

The Varied Fortunes of Takahashi Korekiyo – Japan's Most Eminent Statesman and Financier –

By Yoshino Toshihiko

A Life of Vicissitudes

The life of the great politician and financier Takahashi Korekiyo (1854-1936) spanned 82 years so filled with ups and downs and transformations that it can hardly be subsumed under the phrase the "vicissitudes of life." In 1929 in response to a request from the *Asahi Shimbun* newspaper, he gave an account of the early part of his life. Written up by his assistant Kamizuka Tsukasa, the memoir was published in a serial. In January 1936, immediately before Takahashi's demise, the memoir was published as *Takahashi Korekiyo Jiden (The Autobiography of Takahashi Korekiyo)*. As an historical economist, I have read a great number of autobiographies of eminent personages, but to my mind this particular volume stands out for its accuracy and for being absolutely fascinating. Therefore I will primarily rely on it in describing Takahashi's truly remarkable career.

Takahashi was born in 1854 as a mistress's son of a painter in the official employ of the Tokugawa *bakufu* (shogunate) in Edo (now Tokyo), seat of the feudal system of Japan prior to the Meiji Restoration (1868). Shortly after birth, he was adopted by a lower-echelon samurai from Sendai *han*, one of the Tohoku (north-east) region feudal domains through which the bakufu governed the country. At the time, in order to sustain contact with the bakufu, each han was required to maintain a residence in Edo as an agency, and Takahashi lived in this residence rather than going to the actual domain headquarters in Sendai. As a young boy, he became a page in the nearby family temple connected with the feudal lord of Sendai. Occasionally an especially progressive upper-echelon samurai visited this temple. Owara Shindayu, the man responsible for the han's Edo residence, through these encounters came

to recognize the page's potential and had Takahashi prepare for study in the United States – a most fortuitous opportunity.

In 1864 Takahashi proceeded to Yokohama (Kanagawa Prefecture), a port open to foreign trade and foreign residents, and commenced learning English from foreigners there. In 1865 he became houseboy to Alexander Allan Shand, acting manager of the Yokohama branch of the British bank Chartered Mercantile Bank of India, London & China. After endeavoring to acquire a knowledge of English language and British and American customs, in 1867 at the age of 13, Takahashi proceeded to San Francisco as a student authorized by Sendai han. Upon arrival it was his intention to register at a school in San Francisco, but due to his incomplete understanding of English he ended up signing a contract to be sold as a slave. He was bound, but eventually was able to regain his freedom and return to Japan in December 1868. He had been unable to acquire the learning he had hoped for, but during this year and several months of living in the United States he grew able to converse and read English. This ability was to serve him to great advantage in the days to come.

Upon returning to Japan, Takahashi became a live-in student in the residence of Mori Arinori (1847-1889) of Satsuma (Kagoshima) han who served as a high-ranking official in the new Meiji government. He entered *Daigaku Nanko*, the predecessor of the University of Tokyo, but because his English ability was so good, he leapt at one bound from student to teaching assistant. However, at about this time he joined some friends in becoming absorbed in dissipation and was unable to remain in the university, at one time falling so low as to become a *hakoya*, a porter charged with carrying a *samisen* (three-stringed Japanese instru-

ment) in a box, for a geisha of close acquaintance.

Nonetheless, it was an age when there was a shortage of people possessing a command of English, and he was subsequently called to Karatsu han in Kyushu as an instructor in the han's own English academy. Although he taught large numbers of students during his stay, he did not remain in Karatsu for long.

In 1872 he returned to Tokyo and commenced earning a living by working at the Finance Ministry while also translating for an English-language newspaper. In 1873 he entered the employ of the Ministry of Education, but in 1875 he declined an appointment to serve as head of the *Osaka Eigo Gakko* (Osaka English School), and quit the ministry. He then tried his hand at being a hog raiser and a speculator, even opening a stock brokerage, but each of these endeavors ended in failure. He reminisced later in his life that while serving as Minister of Finance and Minister of Agriculture and Commerce, positions to supervise business matters, the fact that he had experienced the inner workings of the business world early on, despite his failures, was a major advantage to him.

In 1881 he once again joined the Ministry of Education, and successively the newly formed Ministry of Agriculture and Commerce (later divided into the Ministry of Agriculture and Forestry and the Ministry of Commerce and Industry), where his language ability was greatly admired. He carried out a survey of foreign legislation related to trademark registration and patent rights, and in recognition of his meritorious service in preparing for the enactment of trademark legislation he was selected as first head of the Trademark Right Registry and in 1885 took the top position at the Patent Registry. In November of that same year he

Photo : The Bank of Japan



Takahashi Korekiyo was an exceptional statesman and financier who was imbued with an international perspective

received orders sending him abroad to investigate the administration of patent rights in the major nations of the West.

In December he set sail from Yokohama for San Francisco, where he recalled his bitter experience in slavery 20 years earlier. Three days later, he departed for New York and Washington D.C. After thoroughly investigating the American system, he proceeded to Europe, arriving in London in April 1886 before going on to Paris and Berlin. Following his survey of the British, French and German systems, he sailed from London, travelled through the Suez Canal and the Indian Ocean, arriving back in Japan in November. In all, he had been abroad a full year.

As a result of his findings, in 1887 the bureau of Patent office was newly established as an extra-ministerial bureau of the Ministry of Agriculture and Commerce. With the completion of the Patent Measure and related regulations, Takahashi then became the first head of the bureau of Patent office. If he had continued in his position to be absorbed in patent administration, he would in all likelihood have risen to vice-minister, but fate was once again to drop him into a tragic abyss.

Takahashi was on close terms with Maeda Masana, Secretary of the Ministry of Agriculture and Commerce, who believed that the foundation of the new Meiji government's policy of "*Fukoku Kyohei*" (a rich country and a strong military) was in the campaign of "*Shokusan Kogyo*" (increase production and promote industry). Maeda was also the economist who drafted the famous working white paper "*Kogyo Ikensho*" (An opinion on promoting industry). He was convinced that a silver mine near the capital city of Lima, Peru, produced good quality silver ore, and that the development of this mine would contribute greatly to the development of the Japanese economy. Approaching prominent figures in government and financial circles, he formulated a plan to establish the Japan-Peru Mining Company, naming Takahashi as head of the firm, and sought the approval of the Ministry of

Agriculture and Commerce on his own initiative. In the beginning, Takahashi was opposed to the idea, but it was not in his character to refuse an entreaty from a close friend, and finally he accepted the request.

He resigned his post in October 1889 and made preparations to leave for Peru. Setting sail from Yokohama in November, he crossed the Pacific for the third time, reaching San Francisco in December. Passing through the various countries of Central America, he reached Panama and continued on through Ecuador and arrived in Lima in February 1890. Upon reaching the actual mine, he discovered to his dismay that the report filed by the previously dispatched engineers was complete nonsense and that an abandoned mine had been foisted upon him. Swallowing his tears, in April he decided there was nothing to do other than return home, so he retraced his steps through Panama to San Francisco, and arrived in Japan once more in June. Takahashi was then forced to dispose of his own residence and financial assets and rent a small house and struggle just to have food and clothing. However, these various experiences are impossible to find in the life stories of any other major politician, and without doubt they had created his exceptional strength of character which transcended wealth, honor and success.

It was Maeda who rescued Takahashi from staying indoors for his failure in the Peruvian silver mining development enterprise. Feeling responsibility for coercing Takahashi to take that position in the first place, Maeda sought the support of his acquaintance Kawada Koichiro, governor of the Bank of Japan (BOJ), in restoring Takahashi. Giving consideration to Takahashi's previous record of service as head of the bureau of Patent office, Kawada attempted to recommend Takahashi for the vacant post of president of the Sanyo Railroad, but Takahashi firmly declined the position, saying that if he were to make a change to the private enterprise, he wanted to start from scratch. Admiring his serious, modest attitude, Kawada as an experiment brought Takahashi to the BOJ in the irregular form of chief of the construction management section of the head office building which was then under construction. This was in June 1892, and while diligently carrying out the affairs assigned to him, Takahashi studied the operations of banking and devoted himself to reading English newspapers, magazines and books on subjects related to economics and financing.

Fifteen months later, when Kawada implemented internal reform of the BOJ, he appointed Takahashi to the position of manager – the highest position possible for a bank employee – and ordered him to Shimonoseki (Yamaguchi Prefecture, later to Moji, Fukuoka Prefecture) to become the branch manager of the newly established West Branch Office. This was Takahashi's first experience in participating in banking and finance, and because there had been no branch office apart from the one in Osaka, he became the second branch office manager of the BOJ. While making every effort to circulate the finances of the Chugoku and Kyushu regions, on the occasion of the Sino-Japanese War (1894-1895), he succeeded in disposing of a large amount of government bonds.

As a result of his performance record, in August 1895, through the recom-

mentation of the governor of the BOJ, he was transferred to the Yokohama Specie Bank, an institution with close ties to the BOJ. He was appointed manager of the head office of this bank which specialized in foreign exchange. Through successive promotions he was made executive director in 1896 and vice-president in 1897.

While vice-president, during the period from February through September 1898, he traveled abroad to investigate overseas branches of the special bank and to feel out the potential for raising foreign bonds. Traveling via Shanghai, Hong Kong, Singapore, Bombay, Aden and the Suez Canal, he eventually arrived in Marseilles. When he reached London, he once again met Shand, who had become vice-manager of the Lombard Street branch of Paar's Bank, and learned from him much about the financial situation in Europe. He then toured France, Belgium and Germany, departing London for the United States in July and stopping in New York and San Francisco on his way back to Yokohama.

Shortly after his return, at the beginning of 1899, internal discord broke out within the BOJ over allegations that the governor of the bank, Yamamoto Tatsuo, acted arbitrarily on his own authority without consulting other officials. Unfortunately the result was that the greater portion of the board of directors and bureau chiefs resigned, and it became impossible to carry out monetary policies smoothly. For that reason, the government decided to appoint Takahashi to the long-vacant post of deputy-governor of the BOJ because he had experience at the bank, he was active in financial circles as vice-president of the Yokohama Specie Bank and he maintained personal integrity.

The appointment was made on Feb. 28, and he remained in that post until he was promoted to the governor 12 years and three months later in June 1911. The term of office of the deputy-governor was set by law at five years, and he was reappointed twice. With the exception of Takahashi, no one has held that post for such a long

time. His greatest accomplishment as deputy-governor was during and immediately after the Russo-Japanese War (1904-1905) when he traveled to the West on three occasions and succeeded in obtaining massive amounts of foreign bonds. As a consequence, Takahashi's talent was acknowledged by the elders of Japan's political and financial circles and he was given the opportunity to serve as Governor of the BOJ, Minister of Finance and Prime Minister.

Obtaining External Bonds at the Time of the Russo-Japanese War

In that the Russo-Japanese War pitted the small Far East nation of Japan against the great European country of Russia, and that funding the war required approximately seven times the total of Japan's annual public expenditures, funding simply could not be raised domestically by increasing taxes or issuing more government bonds. In order to cover the deficit of the balance of payments incurred in procuring imported war supplies, there was no choice but to raise foreign loans.

Having lived abroad for a long time, being capable of communicating in English, and being personally acquainted with prominent bankers in Great Britain – which at the time was allied with Japan – Takahashi was chosen to take on the responsibility for obtaining foreign loans. In the dual capacity of the deputy-governor of the BOJ and financial affairs representative of the Japanese government, Takahashi traveled on three occasions (February 1904 to January 1905, February 1905 to February 1906, April 1906 to May 1907) to the United States, Great Britain, France and Germany, procuring enormous loans. Moreover, on each occasion he succeeded in improving the conditions so that they favored Japan.

Whereas in the case of investment in Russia credit was extended to a great landlord with land collateral, financial investment in Japan was seen by foreign investors rather as providing tuition to a promising student against

future prospects. Yet contrary to general expectations, Takahashi was able to attain the aforementioned success because under the Anglo-Japanese alliance he accurately surmised the thinking of prominent investors, including the Hong Kong and Shanghai Banking Corp., Paar's Bank, the Rothschilds and Baring Brothers & Co., and was able to skillfully maneuver through delicate relationships. Furthermore, Jacob Henry Shiff, chief representative of the New York banking firm of Kuhn Loeb in Great Britain, had accepted Japan's external bonds in America, and the greatest factor in this was the strong support offered by Shand, currently manager of the head office of Paar's Bank, who had known Takahashi since he was a young man. According to Takahashi's memoirs, when he mentioned the fact that he had been a houseboy in the Shand residence in Yokohama, Shand sensitively had acted as if he did not recall the fact at all. Regrettably the autobiography concludes with the return from his second trip abroad to collect foreign bonds in January 1906. Regarding Takahashi's subsequent activities, there is no choice but to depend on other materials I have collected.

Nevertheless, as a result of Takahashi's success in obtaining foreign loans, the BOJ was able to replenish its specie reserves, not only putting Japan's gold standard on a solid footing but by strengthening the public financing base of the Russo-Japanese War, Takahashi came to be venerated as a savior by government officials and the general public alike, and thereafter his rapidly achieved foundation within politics and finance grew even firmer. That success was due to the accumulation of valuable experience resulting from his being repeatedly dispatched abroad, to his mastery of English, and to the fact that his character was forged through the ups and downs of life cannot be overstressed.

Takahashi's Political Career

Becoming a favorite in political and financial circles as a result of his suc-

cess in acquiring foreign bonds, Takahashi from his dual posts of deputy-governor of the BOJ and president of the Yokohama Specie Bank in 1909 was promoted to governor of the BOJ in 1911. Then in 1913 he was selected to serve as Minister of Finance in the cabinet of Yamamoto Gomba, a position he took again in the cabinet of Hara Takashi in 1918. In November 1921, Takahashi finally became Prime Minister and simultaneously occupied the post of Finance Minister. Seven months into his term, however, in June 1922, he resigned due to disunity within his cabinet. In 1924 in opposition to the cabinet of Kiyoura Keigo composed mainly of bureaucrats disavowing political party cabinets, he relinquished his status of the peerage and his seat in the House of Peers, which had been given to him after the Russo-Japanese War. He stood for election in the House of Representatives and won. In the so-called "safeguarding the Constitution" cabinet of Kato Takaaki, he served as Minister of Agriculture and Commerce, and when this ministry was subsequently divided into the Ministry of Agriculture and the Ministry of Commerce in 1925 he remained head of both. Upon resigning these posts in the same year and withdrawing from the presidency of the *Seiyukai* political party, Takahashi withdrew entirely from politics.

However, in 1927, when the financial crisis came around in Japan's economy as a result of the reactive long-term recession that followed the end of World War I, despite his advanced age of 73, Takahashi was called upon to serve as Minister of Finance in the cabinet of Tanaka Giichi upon the personal entreaty of the prime minister. Together with implementing a moratorium, Takahashi decided to take the measure that the BOJ under conditions of government compensation set forth a system of special financing of restructurable city banks. He was only in the post a matter of several weeks (April 20 to June 2) before withdrawing, but by the end of that year the financial crisis had

subsided as a result of the two emergency measures which he instituted.

However, the main reason why he is still today spoken of as a public finance figure is that as a consequence of reflationary policies he instituted as Finance Minister in the cabinet of Inukai Tsuyoshi – which was established as a result of a cabinet reshuffle of 1931 – he succeeded in bringing Japan out of a long, serious recession. At the time of Takahashi's appearance, the Japanese economy exhibited the symptoms of a deflationary spiral as a result of the retrenchment policies enforced by previous Finance Minister Inoue Junnosuke to lift the ban on gold exports in an old parity value. While the yen maintained an exchange rate of \$1 = about ¥2 level, the wholesale price index in 1930 dropped 17.7% followed the next year by another drop of 15.5% – years of double-digit decline. Enterprise profits shrank broadly, unemployment mounted alarmingly, and social unrest grew unabated. Moreover, due to the world crisis that began in the autumn of 1929, anticipated export increases did not materialize, and sentiment was toward selling yen and purchasing dollars. In the midst of all this, in autumn 1931, along with the outbreak of the Manchurian Incident came another major event: Britain, the center of international finance suspended the gold standard. Because of these consecutive incidents, toward the end of the year the cabinet was reshuffled.

Very shortly following his appointment as Minister of Finance, Takahashi halted the gold standard, disconnecting the link between the yen and gold. He greatly loosened the issuance restrictions on bank notes issued by the BOJ. He conceived of the method of having the BOJ subscribe to government bonds in large numbers in order to supply war funding for the Manchurian situation and the increase in domestic public works projects.

The previous general rule of having city banks handle these bonds was temporarily abandoned. Having the BOJ subscribing to these bonds as the money issuing bank, made it possible to fill the deflation gap through the linkage of increasing the money supply, which eased finances, which in turn lowered interest rates. In this process, exchange rates would fall, but the fall of commodity prices was halted and stock prices rose. Takahashi's conception of this method was created in order to escape from enterprise bankruptcies, increased unemployment and deepening anxiety within society caused by Inoue's deflation policies. It emerged from his economic policy of making use of the productive power of both labor and goods that were going idle, and was not intended to spread the flames of war in Manchuria. In this way, with idle production capacity currently existent, even if the BOJ accepted government bonds and government money was dispersed in the private sector, the increased money supply flowed back into city banks in the form of savings, and they did not need to increase the amount of money loaned out in order to expand the purchase of equipment. There was no other place from which they could buy government bonds from the BOJ. Through this channel, the increased supply of money rather quickly flowed back to the BOJ, so that even if prices did rise, at most they would return to the level prior to the drop brought on by Inoue's deflation measures. A distinction was drawn between these events and inflation, wherein prices rose dras-

Photo : The Mainichi Newspapers



Depositors rushed to withdraw funds from the Kawasaki Bank during the financial crisis of 1927

tically, and it was referred to as deflation. It was Takahashi's stance not to allow too much stagnation of the economy or a drastic increase in unemployment. It is my own belief that the first politician to implement the theory of John Maynard Keynes on a broad scale in a major nation of the world was none other than Takahashi Korekiyo.

However, reflationary policies can be addictive in that once one is saved by them, one may become paralyzed and unable to refrain from using them again. In the case of the Japanese economy, despite the fact that the deflation gap disappeared in the second half of 1935, the military moved toward expanding the Manchurian Incident. Continuing to serve as Minister of Finance in the cabinets of Saito Makoto (formed in 1932) and Okada Keisuke (formed in 1934), Takahashi was concerned about the dangers, and despite the resistance of the military, he tried to reduce the budget for military appropriations and the amounts of government bonds in the autumn of 1935. From the point of view of these efforts, it is clear that Takahashi's economic policies were certainly not lax, such that they would allow transcendence of the limits of national strength. However, for that reason, on Feb. 26, a day of heavy snowfall, he was assassinated by junior army officers. One has to say that the route Takahashi opened was destined to continue and could not be closed down no matter who might try to do so. At the same time that this is the tragedy of Takahashi Korekiyo, it is also the reason why he is respected as the single exceptional statesman who opposed with his own life the high-handedness of the military. One would have to say that this is reflected in the decision following the end of World War II to put his portrait on the face of the 50-yen BOJ note issued in 1951.

A Rare Internationally Minded Person

As we have seen, few have followed a path fraught with as many turnings as Takahashi Korekiyo. His changes of



Takahashi's portrait on the face of the 50-yen BOJ note issued in 1951

employment prior to joining the BOJ were numerous beyond grasp. After entering financial circles, he became governor of the BOJ. Upon entering the political realm, he served as Finance Minister in seven different cabinets and sealed his status with a short term as Prime Minister. Finally, he was the protagonist in a tragedy wherein he was assassinated for his convictions.

However, what I would like to emphasize in concluding is that among the many politicians and financial experts of his time, he was the one most imbued with an international perspective. Dispatched abroad some seven times, as a slave, as a top bureaucrat, as the head of a mining development enterprise, as the vice-president of a special bank, as a special financial affairs representative simultaneously serving as deputy-governor of the BOJ, he traveled not only to the United States and Europe but even as far as a mine in distant South America. Moreover, these journeys were not mere pleasure trips. They included both serious residence abroad with his own life at stake, and long-term business trips on whose outcome rested the very existence of the nation.

Among Japanese statesmen and financial figures of his day, he was one of only a handful who could, without interpretation, discuss affairs intimately with important people in foreign countries. Further, he deserves our respect

for constantly reading English-language books and newspapers on subjects of politics, economics and finance, and for being well acquainted with the progress of world affairs and new theories of economics and finance.

Keynes's *The General Theory of Employment, Interest and Money* was published in 1936, the year Takahashi died, so it is unlikely that he ever saw that book. However, *A Tract on Monetary Reform* was published in 1923 and the Japanese translation appeared in 1924, so there can be little doubt that the studious Takahashi read it, either in translation or in the original. This is because in his memoir, *Zuiso-roku (Record of Impressions)*, published after his death, although Keynes's volume is not mentioned by name, Takahashi does touch on Keynesian theory in some passages. The reflationary policies he introduced from the end of 1931 – it is worth mentioning – while they may not have completely incorporated Keynes's ideas, came very close to doing so. JTI

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