

Will Japan Continue as An Industrial Nation?

by Kathy Wolfe

Japan's unemployment climbed to 5.6%, the highest since records began in 1953, the government said on Jan. 28, with more than 3.4 million people out of work. Machine tool orders plunged 43.6% in December compared to a year ago, according to the Machine Tool Association, including a 21% drop in domestic demand for industrial investment.

At the same time, Anglo-American attempts to start a run on Japan's banks escalated, as major players endorsed the "prediction" by John Makin of Washington's American Enterprise Institute (AEI) that some \$1 trillion is about to be pulled from the banks (see *EIR*, Jan. 25, 2002). Standard & Poor's rating agency described Tokyo's banking system as "technically insolvent" in the London *Financial Times* on Jan. 29. On Jan. 21, Moody's cut ratings of Japan's biggest banks to negative. Richard Jerram at ING Barings Tokyo told the Jan. 23 *New York Times* that over \$755 billion in deposits are already being moved from small to big banks, into gold, or under the mattress, by fearful Japanese.

"Will Japanese Prime Minister Koizumi Freeze Bank Deposits?" shouted headlines in the Tokyo intelligence leak sheet *Weekly Post* on Jan. 21. The government is "confidentially preparing to pass legislation that would freeze depositors' bank savings as a form of 'martial law in a financial emergency,'" they wrote.

And, if Wall Street tanks this year, every American housewife now knows whom to blame, since even the popular magazine *Newsweek* in late January ran a feature titled "Japan as Argentina," promoting Makin and his theory. Japan, they write, "is threatening the global financial system like a moody emerging market." New York's Lazard Frères, the bank that owns *Newsweek*, expects a U.S. crash, which will destroy major American banks. They need an enemy to take the blame, and Iraq won't do.

"The root of this crisis is that the Japanese people generated a lot of savings, but refused to send it out of the country," said Dr. Makin, reached for comment on Jan. 30. Now, he said, Wall Street plans to make a lot of money, as in Thailand and Korea in 1998, because "if they think their financial system is going to collapse, they'll want to get their money out." Guess who wants to handle that \$7 trillion in cash outside Japan.

Japan's Existential Crisis

Wiser heads in Tokyo should realize by now, that it's useless to keep playing the post-1971 International Monetary Fund (IMF)-World Trade Organization game, as the happy junior partner selling consumer goods to the fat American market. The semi-rational world of the 1960s is gone. The people on the other side of the table in New York and London are no longer rational partners, but lunatic speculators who—like the Enron management—are likely to steal your last dollar this week, and never think about how either of you will eat, next week.

"Dr. Makin's comments are compatible with his desire to make a profit, since he is also affiliated with Caxton Corp.," a \$3 billion Wall Street hedge fund tied to megaspeculator George Soros, which has major assets in foreign currency speculation, one Japanese official pointed out to *EIR*. "His philosophy is: 'If there is a chance of making money, just do it.'" Makin's "theory" is just an assertion, that his circles want a bank run, so he'll try to create one, the official noted. "His model relies on a crucial assumption: Bank runs in Japan will take place nationwide. Unfortunately, I do not see how his description of bank runs could occur in a systemic manner. I've done some research on the mechanism of bank runs myself. It's not easy to create an incentive for all the depositors to collectively run on their banks."

The larger point, however, is that the *global*, dollar-based, IMF-centered banking system is bankrupt, Presidential pre-candidate Lyndon LaRouche told an international webcast in Washington, D.C. on Jan. 24. "Japan faces an existential crisis," LaRouche said, like dozens of other countries, due to the IMF system's terminal illness.

"Japan has been under foreign attack, for a long period of time . . . on the issue of Japan's policy to industrialize the rest of the world," LaRouche said. "Japan has been attacked for its 1970s Iran policy; Brzezinski attacked Japan's Mexico policy and so forth." He was referring to Brzezinski's threat in 1979, after Japan had begun to industrialize Mexico and Iran, that "we don't want any more Japans south of the border."

Previously, LaRouche continued, most Tokyo leaders "believed Japan's mission was to find, especially among its neighbors in Asia . . . the possibility of doing good, and going into these countries and working with these countries to develop them, not simply as markets for Japan exports, but as a national security policy."

No Domestic Way Out

But when, after 1980, Tokyo agreed to stop shipping so many industrial goods to the Third World, and focus on consumer exports to the West, it was a strategic blunder, LaRouche said: "Japan's potential has been destroyed."

"Take a wider view," LaRouche went on. "Look at the entire global system now. Now, the system is coming down."

Japan has been used, during the 1980s—especially since the middle of the 1980s—and beyond, has been used as a towel-boy for Wall Street and London. Japan has been told to print money, and doing all the things that the United States and Britain told it to do, in order to subsidize the Anglo-American system. . . . Now, Japan has reached the point that it is technically bankrupt”—along with major U.S. and European banks.

“So Japan has really *nothing to lose* by facing that reality. *There is no possibility for recovery or survival of Japan under present global conditions.* And, when Japan goes, the U.S. dollar goes, because without the support of Japan, the U.S. dollar will collapse very soon. . . . You get two or three more countries, like Japan and Argentina, going under, such as Poland or Turkey, a few others that are highly eligible . . . *the whole system is gone!*”

Therefore, the only solution for Japan, is an international solution, the creation of a New Bretton Woods international monetary system, LaRouche said. There is no domestic solution for Japan. Immediately, “we have to reach a closer understanding among people of influence in various countries, who can then jointly operate to bring their nations that they also represent, together,” to come out in public and tell the whole truth about the world situation. It is not three Argentine banks or four Japanese banks, but the global system which is the bankrupt, and needs top-down reorganization.

An Industrial Future?

Japan’s large industrial producers may face the same threat as South Korea’s Hanbo Steel or Daewoo Motors: to be dragged into bankruptcy by a combination of IMF “globalization” and the attack on the banks. Fujitsu, Japan’s top producer of mainframe computers, has been losing 18 billion yen a year and its share price has dropped sharply, due to foolhardy investments in the U.S. and British “dot-com” sector, Nikkei said on Jan. 24. Toyota Motors is in similar financial trouble.

Examine in more detail Wall Street’s claims as to what is the “fundamental problem” in Japan, which is threatening to destroy the world. Their argument is that Japan has gotten into banking trouble because it keeps trying to function as an industrial nation—and therefore, Japan should not continue this. “Big business” and “corrupt bureaucrats” have so expanded industrial plant, they say, that they can’t sell the output, so their loans to the banks have gone bad.

“The root of this crisis is that the Japanese people . . . put their money in domestic banks and government banks,” such as the Postal Savings system, which has almost \$2 trillion, Makin claims. “So the banks and government took the role of intermediaries and over-invested massively in Japan in industrial plant and equipment and research and development—electronics, autos, all sectors of industry. Their disposition of accumulated savings has largely gone

into excess industrial capacity.”

Makin’s mentor, Prof. Karel van Wolferen of Amsterdam University, stated this on Jan. 21 in an editorial in the *Weekly Post*, which urged Japan’s citizens to get their money out of the banks fast, before the corrupt government freezes all deposits. “Japan must alter economic policies emphasizing manufacturing, and shift to those stressing consumers,” he wrote. “Japanese economists frequently dwell upon increasing productivity of business corporations; however, demand cannot follow the increase of production capability. Japan is facing an excessive surplus of production capacity. . . .

“The Japanese miracle of economic growth was achieved based on bad debts. . . . The current Japanese financial system is on the same basis.”

Wolferen explained his pernicious “Japan theory” in more detail to *Wired* magazine in June 1999. “Japan has a credit system where there is a collective understanding of which industries ought to be encouraged. This ensures those industries have access to an unimpeded flow of funds and that they do not need to show a profit. . . . They can go for ten years fighting for international market share and be losing money all the time. In Japan’s postwar system, investments were made not for profit but for gaining industrial strength. Japan wanted to become not rich, but strong. The Japanese economy is basically a war economy operating in peacetime. It worked very well for a long time. However, it became clear that Japanese expansion of productive capacity could not go on forever. *The world demand simply wasn’t sufficient.*”

Geopolitics Playing ‘Economics’

And why not? Why could not Japan have gone on, to industrialize Mexico, Iran, and then Africa? There is no answer—only Brzezinski’s geopolitical desire to keep these nations as colonies, and the old prejudices of the 1972 anti-industrial “Limits to Growth” theory.

The danger of this, however, is that it appeals to the piggish side of the Japanese public, which is urged to focus only on “what will happen to *my money?*” and ignore the fact that the nation is being destroyed. This is what happened to Americans in the savings and loan crisis of the 1980s. The corrupt Japanese media are blaming the nation’s troubles on bureaucrats and “crony capitalists”—to whip up the public until it supports calls for banks and the companies they lend to, to be shut down. This is Wall Street’s “final solution” for Japan’s sin of “excess industrial capacity.”

The System Called ‘Japan’ Which Does Not Make People Happy is the title of a recent best-selling book in Japan, by Wolferen, about “the social cost of the system’s political and business bureaucracy.” Japanese would be more happy, he concludes, if they had less industry.

Didn’t Asian nations fight Opium Wars and wars of independence against this kind of colonialization?