

companies will result in new capital to be injected into the banks which sell such loans to the RCC.

None of this addresses the truly urgent need for Tokyo to speak up about the bankruptcy of the global system. The truth of the matter, is that nothing the Japanese do domestically, by themselves, can stop Japan's banking system from blowing out. Only the creation of an entirely New Bretton Woods monetary system can save Japan; and so, the only rational course for the Japanese, is to call for it early and often in international forums. Discussion of directed credit, however, is a baby step in LaRouche's direction.

Japan Elites Rip Harvard Boy Takenaka

by Kathy Wolfe

Nobuo Yamaguchi, chairman of the Japan Chamber of Commerce and Industry, at a news conference on Oct. 18, kicked off what has become a flood of attacks on Harvard-trained Japanese Financial Services Minister Heizo Takenaka, for his International Monetary Fund-dictated economic policy of "surgery without anesthesia." Takenaka's new austerity plan was scheduled for release on Oct. 22, but Prime Minister Junichiro Koizumi ordered it rewritten by the end of the month.

"The United States backs Takenaka; but Japan needs to work out countermeasures on its own," Yamaguchi said, referring to statements by Glenn Hubbard, the monetarist chairman of President Bush's Council of Economic Advisers. "While scholars can rewrite dissertations, no re-do is permitted for economic phenomena," he added. (Takenaka had been an economics professor at Keio University.) The yen rose briefly on Oct. 23, when the press reported that Takenaka would be fired.

Prime Minister Koizumi was heavily attacked over the Takenaka appointment by his own Liberal Democratic Party (LDP) and the two other parties in his ruling coalition in the Diet (Parliament), on Oct. 22-23, in what Yomiuri News called "an effective vote of no confidence." "Steamrolling reforms may send the national economy into turmoil," said Mitsuo Horiuchi, chairman of the LDP General Council. Akihiro Ota, secretary general of the Komeito party, also called on the administration to expand job-relief efforts, saying, "What the people are calling for is 'reform with encouragement,' rather than 'reform with pain.'"

Mikio Aoki, secretary general of the LDP upper house, demanded that Koizumi immediately change policy. "Is Mr. Takenaka serious?" he asked, when presented with the draft of Takenaka's austerity plan. "A plan like that would certainly



Japan's Financial Services Minister Heizo Takenaka is under fire for demanding the takedown of Japanese industry, on orders from the IMF and Washington.

cause stock prices to crash."

"LDP Don Aoki Gives Koizumi Tongue-Lashing Over Policy," was the *Asahi News* headline. "Political heavyweight Mikio Aoki, a one-time defender of Junichiro Koizumi, blasted the prime minister Tuesday, saying his 'private-sector experts' have no business in deciding the nation's economic policy," *Asahi News* wrote. "They have not been chosen in elections," Aoki said of Takenaka and his Wall Street advisers. "It is a problem if people who are not in position to take responsibility provide opinions that influence grave national policies and the people's future."

Pressure From the United States

The press is openly reporting what Bank of Japan officials have told *EIR* for some weeks: that Takenaka's program will devastate Japanese industrial corporations, but produce an enormous "cheap shot" for American "vulture funds" to buy them up a quarter on the dollar, as was done in Korea in 1998-99. AT&T Corp. Chairman Michael Armstrong told the Japan-U.S. Business Council in Tokyo on Oct. 23 that Takenaka's program must be implemented with no further delay, because "Japan's structural reforms are behind schedule compared with the timetable promised in February" to President Bush. Armstrong repeated Bush and Hubbard's calls in February for Japan to let bad loan paper and industrial shares "go free into the markets," where they would collapse.

Nikkei News commented: "But some critics say that U.S. financial circles are hoping that the sale of shares would lead to more business opportunities" for American vultures. Calls by U.S. Treasury Undersecretary for International Affairs John Taylor, at a Tokyo press conference on Oct. 23, endorsing Takenaka's shock therapy plans, also didn't help much. "The United States believes it is essential for Japan to rebuild its financial system because it may need Japan to help shoulder the costs for its continuing anti-terrorism efforts," said Nikkei bitterly.