

Daisuke Kotegawa

Don't Let This World Be Destroyed by Filthy Gamblers Who Call Themselves Wall Street and City of London Bankers

This is the edited transcript of the presentation of Daisuke Kotegawa to Panel 2, "Runaway Inflation or Glass-Steagall?" of the Schiller Institute's June 18-19 Conference, "There Can Be No Peace Without the Bankruptcy Reorganization of the Dying Trans-Atlantic Financial System." Mr. Kotegawa is a former Japanese Finance Ministry official, and a former Executive Director for Japan at the International Monetary Fund.



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Today, I'd like to say: Don't let this world be destroyed by filthy gamblers who call themselves Wall Street and City of London Bankers.

In 1985, at the Plaza Hotel in New York, Japan and the United States agreed upon the so-called Plaza Accord, a coordinated foreign exchange intervention to appreciate the yen, in order to correct the U.S. trade deficit with Japan. The yen immediately doubled [in value] from the level before the agreement. As a result, labor costs in Japan doubled, and Japanese companies which could no longer compete internationally, moved their factories to Southeast Asia and China, where labor costs were cheaper. As a result of these factory relocations of Japanese companies, one of the centers of world production shifted to these regions. Labor costs in these regions have risen gradually; people's incomes have risen; and the so-called "Flying geese pattern of development" has been achieved.

The stronger Yen had another important effect. Japanese financial institutions started to penetrate the London financial market against the backdrop of a stronger yen. As a result, the exorbitant profit margin that had formed the basis of London's commercial banks, which had long sat in a privileged position, fell to one-tenth in a short period of time, and financial institutions with a long tradition such as S.G. Warburg went bankrupt. Negotiations were held in Basel to stop such Japanese financial institutions, and the so-called "Basel Rules" were agreed to in 1988.

At the end of the 1990s, Southeast Asian countries and Japan faced the problem of nonperforming loans stemming from the Basel regulations. Consequently, the Asian economic crisis and the Japanese financial crisis led the manufacturing industry in these regions to stagnation. Only China was able to survive in such a crisis, and since the beginning of this century, China has become the center of the world's manufacturing industry, and the concern about the challenge of China has emerged in the United States.

Since the Asian crisis, the world's manufacturing industry has stagnated, and with the complete repeal of the Glass-Steagall Act in 1999, investment banks and commercial banks have merged, and investment banks have been transformed into "gambling finance," such as high-risk derivatives based on deposits collected by commercial banks. The Lehman shock in 2008 was the result of such "gambling finance." However, the governments of the United States and the United Kingdom did not dispose of their bankruptcies in accordance with the Basel Rules, which they demanded of Asian countries, but instead used tax money to bail out their financial institutions.

In addition, not only financial institutions but also large corporations such as General Motors were bailed out using tax money. This is no different from state capitalism, which the West criticized the Soviet Union for during the Cold War. Asian countries were dismayed by such a "double standard" when they were forced to respond painfully in the event of an Asian crisis. Since then, they have had serious doubts about the Western-led international financial order.

As a result of the bailout, the financial statements of financial institutions and large corporations were cleaned up at the expense of the state, while the gap between the rich and the poor in society widened as many employees lost their jobs or switched from regular employment to part-time work. While in the development of the manufacturing industry, as in the case of Asia, people at lower

labor costs are preferentially hired and they helped raise wages and thus improve the lives of the poor, whereas financial capitalism only enriches the rich further. The resulting gap between the rich and the poor has sparked electoral revolts in the West since 2016.

On the other hand, the bailed-out financial institutions became more convinced that the government would bail out depositors in the event of a crisis, and they pushed forward to further gambling finance without reflecting upon the mistake they made on gambling finance. Financial institutions have forgotten their original role of helping to promote industry by lending to the manufacturing industry, and have indulged in gambling between financial institutions. Governments in advanced economies have been conducting unprecedented “quantitative easing” to conceal the reality of such financial institutions. But in Europe and the United States, funds are not directed toward manufacturing.

To further cover up this situation, “green finance” was advocated, in which any target company defined as “green” could be provided any amount of money. But, due to the failure of the environmental summit in Glasgow, this attempt is also failing. Wall Street and the City of London are on the brink of bankruptcy.

Europe, which has also increased its reliance on unreliable “renewable energy” due to a false environmental movement, began to see a sharp rise in natural gas and other energy prices in the wake of the harsh winter of late 2020 and early 2021. This began to affect agricultural commodity prices. Russia’s invasion of Ukraine in February 2022 and the accompanying sanc-

tions have fueled this trend, and the standard of living of ordinary people in the West is facing severe inflation for the first time in half a century.

In this situation, what we need to pay the most attention to, in the short term, is not the way Russian and Chinese governments move forward. Rather, it is the movement by forces that are expected to go bankrupt under the imminent circumstances, described above, to obscure all problems through war.

This author worked at the core of the Japanese government in the 1990s and had experience in resolving all the problems that existed at the time with China and North Korea under the table. Based on this experience, the biggest question I have about the Russian invasion of Ukraine is why the U.S. government has not been able to resolve this issue through discussions behind the scenes. If the decline in the quality of government officials cannot be blamed, it is difficult to deny the conclusion that the Biden administration may have wanted war. I believe that now is the time for the United States to return to the starting point of democracy and seek a change of government by voting for the sake of real national interest, not for the benefit of a few, as the United States taught us in Japan, a defeated country after the war.

After the end of the Cold War, the world became a unipolar world. We have no choice but to follow the actions of the United States. From this perspective, the U.S. agenda will determine the fate of all mankind. And it is my sincere hope that the American people will return to the founding spirit that stood up against British colonialism, and choose the right path. Thank you.

Dr. Uwe Behrens

The ‘No-Rival’ Policy of the U.S.A.

This is the edited transcript of the presentation of Dr. Uwe Behrens to Panel 2, “Runaway Inflation or Glass-Steagall?” of the Schiller Institute’s June 18-19 Conference, “There Can Be No Peace Without the Bankruptcy Reorganization of the Dying Trans-Atlantic Financial System.” Dr. Behrens is a logistics manager and author based in Berlin. Subheads have been added, as well as links to the most important documents mentioned by the speaker.



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Dr. Uwe Behrens

Human Rights Commissioner in Xinjiang

In May 2022, finally the High Commissioner of the UN Human Rights Commission, Mrs. Michelle Bachelet, and her team could visit the Xinjiang province, China, the home of the Chinese Muslim minority, the Uighurs. She held talks with the officials of the province, with people on the street, visited prisons, vocational training camps, schools, hospitals, factories, and workshops.