Hashimoto pushes 'Big Bang' deregulation

by Jeffrey Steinberg

"Prime Minister [Ryutaro] Hashimoto is presiding over a period of profoundly weak leadership in Japan," one prominent Japanese opposition political figure told *EIR* recently. His remarks are typical of what many Japanese are saying, with greater frequency, as the country braces for the next round of Asian financial shocks.

Japan is in the eye of the global financial storm. The string of "Asian Tiger" currency collapses—triggered by speculative assaults by offshore hedge funds, backed up by British and continental European banks, beginning in early 1997—all ultimately vector against the Japanese yen and Chinese yuan. The Japanese fiscal year ends on March 31, and over the immediate days ahead, every major banking and corporate entity in Japan will be scrambling to deal with their heavy debt burdens, to put the best possible spin on their FY 1997 performance. While the official figure for non-performing Japanese bank debt has been placed at $600 billion, Tokyo sources tell *EIR* that the true figure is more than $1 trillion. There is widespread delusion among Japanese bankers and fund managers, that the recent uptick in foreign investment in the Japanese stock market will drive the Nikkei toward 20,000, enabling even the most endangered institutions to write off a large portion of their bad debt and still avoid bankruptcy.

The folly of this view is obvious. In stark contrast, Lyndon LaRouche, who accurately warned of the Asia crisis beginning in February 1997, and who had earlier identified the strategic flaws in the "Asian Tiger" economies, recently forecast that the next big shock to the global financial system will come before the Ides of March, and will center around the Japanese fiscal year-end shakeout.

The continued flow of overseas capital into Japan's Nikkei comes at a steep price, in the minds of some policymakers in Tokyo: The Hashimoto government must proceed with the "Big Bang" financial deregulation program, a series of measures opening Japan's estimated $7 trillion in savings deposits to foreign banks, brokerage houses, and insurance companies—i.e., the "global market." At the first sign that Hashimoto is back-peddling on "liberalization," so the story goes, there will be a rapid exodus of foreign investment from the Nikkei, driving the index below 15,000, and forcing many of Japan's financial houses to go belly up.

Tokyo sources have stated that the survival of the Hashimoto government is based on the Prime Minister's commitment to proceed with the "Big Bang" deregulation, regardless of the consequences for the Japanese physical economy or the well-being of its citizenry. The idea of the "Big Bang" internationalization of Japan's financial services sector—modeled, in part, on Britain's disastrous Thatcher-era deregulation—was announced *prior* to last year's collapse of the Thai, Malaysian, Indonesian, Filipino, and South Korean currencies and stock markets. The fall of the "Asian Tiger" economies, which is not over yet, more than justifies abandoning the liberalization, scheduled for April.

Rubin's advice rejected

In fact, in the summer of 1997, U.S. Treasury Secretary Robert Rubin had written to his Japanese counterpart, urging a delay in the "Big Bang," while calling for a series of domestic economic stimulus initiatives aimed at shoring up Japan's still-strong physical economy. The Rubin letter was rejected by the Hashimoto government.

Indeed, as one visitor to Tokyo recently discovered, there is widespread confusion among all Japanese political factions about the role of the United States in the ongoing Asian monetary crisis, a confusion that was not at all helped by the recent visit of British Prime Minister Tony Blair to Tokyo. During that visit, Blair pressed Hashimoto, publicly and in private talks, to go forward with the "Big Bang."

Despite Rubin's warnings, Japanese financial analysts point out that it is the big Wall Street firms that stand poised to open the Japanese financial services sector. Merrill Lynch has purchased 30 branch offices of the bankrupt Yamaichi Securities, and will be one of the first foreign firms to begin securities trading in Japan. Citibank has signed a contract with the vast Postal Savings system, to install and initially administer ATM machines. Some in Japan even argue that, because the International Monetary Fund is headquartered in Washington, the Clinton administration pulls the strings on IMF Managing Director Michel Camdessus! And, the majority of Japanese political and financial leaders have been sold on the patently false notion that London Rothschild-sponsored megaspeculator George Soros is an "American asset."

One well-placed Tokyo politico recently told an American colleague that the once-outstanding University of Tokyo economics department is now little more than an outpost of Harvard-MIT's most incompetent monetarists. In short, Japan is suffering from the same generational power shift, from World War II and immediate postwar leadership, who had some comprehension of economics, to Baby Boomer and Generation X executives, who no longer understand the ABCs of physical economy.

These sources all say that the Hashimoto government is a reflection of this confusion. Worse, they say that there is no visible alternative to this "muddle through" regime. And that spells big trouble for Japan, Asia, and the world as a whole.