to rise to the international level. Cargo transport declined 25%, construction fell 35%, and industrial production plummeted 15%.

The banking system is bankrupt

Loans by the banking system declined 9% during this period. The national banking system is completely bankrupt, because the other sectors of the economy are in no condition to meet payments. During January-October 1999, the banking system lost approximately $900 million, and the government spent nearly $4 billion in an attempt to keep it on artificial life support. Some economists are now talking about a "liquidity trap," where the banks receive money, but it neither circulates nor generates production. The World Bank and the IMF announced special loans to participate in saving the banks, but this money will fall into a bottomless pit. If the real economy is not salvaged, the banks will continue bankrupt, and no amount of money will be able to save them.

From January 1998 through September of this year, nearly 300 companies with capital of more than $700,000 were forced to liquidate, while another 270 companies went through bankruptcy proceedings in an attempt to save themselves from outright liquidation. Some 25,000 workers are directly affected by this process.

In October, Finance Minister Juan Camilo Restrepo announced that the IMF had created a $2.7 billion contingency fund for dealing with possible attacks on the peso. IMF conditions for this "help" are barbaric. The new condition is that the "peace dialogue" with the narco-terrorists continue—the policy by means of which the government has ceded 40% of the national territory to complete control by the narco-terrorist FARC. "If the peace process advances, there will be more money for Colombia," said Restrepo, at an October press conference called to announce the latest agreements with the IMF. The Fund is also demanding that the age at which Colombians can retire be raised (in other words, that more people should die before receiving their pensions), and that there be greater labor "flexibility," so that workers can be dismissed more easily or hired below the legal minimum wage. Other demands include more budget cutbacks, especially that there be no more state investment, that taxes be increased, and that privatization be accelerated, selling off state companies at fire-sale prices.

All this is sowing desperation among the Colombian population. At least 1.5 million Colombians have been forced to abandon their homes and jobs, to seek more secure places to live (they are being called "internal refugees" by the United Nations and non-governmental organizations). So far this year, some 60,000 mainly middle- and upper-class families have left the country, for primarily the United States, Canada, and Costa Rica. A study by the National Association of Financial Institutes reports that this mass migration of Colombians has resulted in at least $2 billion in flight capital. Not yet measured, but more serious still, is the brain drain that this crisis is provoking.

Stimulus packages won't save Japan

by Our Special Correspondent

During this correspondent's recent trip to Japan, several government and party officials reported that the current mood in Japan is one of complacency, and that nearly everyone "believes that Japan has weathered the Asian financial crisis." Official after official pointed to the positive rate of Gross Domestic Product (GDP) growth, and the rise of the Nikkei stock exchange to 18-19,000, as proof that the fiscal stimulus packages and the corporate restructuring programs have been successful. Foreign capital flows are fuelling a new stock market bubble and allowing the Japanese banks to begin to write down their bad debt. The officials stated that despite that problem, the fiscal stimulus packages continue to help the economy.

Managing this illusion of growth is one of the new twists in Japan's effort to come out of its near ten-year-long economic depression. It appears that the reluctant consensus of Japanese leaders is that globalization is inevitable, and that allowing foreign firms to buy up Japanese financial and industrial corporations is the path that Japan must take. Although there is resistance to this policy, Prime Minister Keizo Obuchi has managed to hold his coalition "crisis government" intact for the time being.

One sign that this "crisis management" coalition could come apart, is the sudden rise in value of the Japanese yen. As the yen neared 100 to the dollar in November, Bank of Japan officials intervened to stem the rapid appreciation, buying $5 billion worth of yen, but this had little effect. Most Ministry of Finance officials thought that the high end of the yen would be around 105-107, which could sustain a profitable margin for Japanese exporters and manufacturers. However, with the yen breaking 105, exporters and manufacturers are facing another racheting down of production and rise of unemployment, which could reach 5%. So much for the much-vaunted "Japanese recovery."

Another telltale sign of the problems facing Japan is the fact that Japan's internal debt is skyrocketting. All of the fiscal stimulus packages have driven up the debt-to-GDP ratio to over 130%—worse than the Italian budget deficits. Unless this Liberal Democratic Party coalition government either raises taxes or "monetizes the debt," the credit-worthiness of Japanese government bonds will sink to the level of "junk bonds." Moreover, the government is faced with underfunded pension funds, a crisis which recently nearly tore apart the fragile coalition.

Were the Bank of Japan to "monetize the debt," that is,

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print money to cover the bad bank debt and cost of the fiscal packages, Japan, given that the real economy continues to decline, could soon be faced with a hyperinflationary explosion—precisely what U.S. Democratic Presidential candidate Lyndon LaRouche warned of a few months back. Fortunately, Bank of Japan officials have resisted this approach, despite pressure coming from U.S. Treasury Secretary Lawrence Summers and members of the Obuchi coalition.

The derivatives problem

While Japanese debt problems remain unsolved, the globalist financial institutions in Tokyo have been trying to coax Japanese financial institutions into burying the bad bank debt in the derivatives markets. The most prominent case now under investigation is that of Crédit Suisse First Boston. The head of the local branch of Crédit Suisse Financial Products, Shinji Yamada, was arrested in November for obstructing an investigation by the Financial Supervision Agency (FSA) into a series of irregular transactions to help clients conceal losses by bouncing them from one account to another, possibly using derivatives transactions.

The FSA has been targetting the Lehman Brothers securities unit, and other foreign firms involved in derivatives financial products. The FSA, which was set up in June 1998, is probably the only safeguard against the complete takeover by the globalizers of Japanese financial institutions.

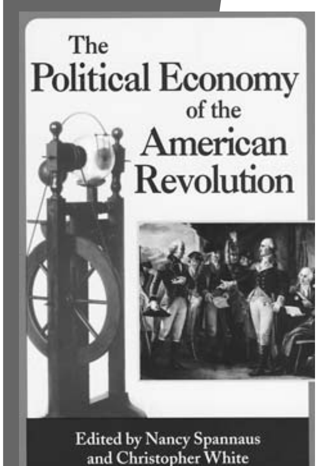
In late November, Michio Ochi, head of Japan's Financial Revitalization Commission, the country's top regulator, arrived in Washington for discussions with Federal Reserve Chairman Alan Greenspan and Summers. These closed-door meetings were aimed at pressuring the Japanese to "keep the policy reform process" moving forward. Greenspan and Summers, according to high-level government officials, are worried that Japan is still not doing enough to move its economy ahead.

Ochi told American officials that Japan's economy is growing at 0.6% for the current fiscal year, and that next year's forecast is for 1.5-1.75% growth. "Given the dull domestic consumption and particularly the severe stagnation in capital investment, this does not represent a full-fledged turnaround, so fiscal stimulus will be necessary," he said, in a speech at the Center for Strategic and International Studies in Washington.

Ochi's remarks are aimed at keeping the pressure off the Japanese government, because most Japanese officials believe that Summers, more than any other individual, will help destroy the Japanese economy, and with it, Japan's influence in the world. According to senior officials, Summers wants a high yen to force the restructuring of the Japanese economy, and, unless Japan is prepared to do just that, Summers will impose such a restructuring, one way or another.

DO YOU KNOW

- that the American Revolution was fought *against* British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?



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