

- The principle of “it’s only paper,” vis-à-vis plunging asset values, must be enforced. The rapid devaluation of speculatively overblown prices for financial paper is not a disaster, but rather is desirable. The elimination of fictitious capital by devaluation should not be prevented. Public money is not to be used under any circumstances to counter the devaluation of fictitious capital which is not anchored in the productive processes of the real economy.

- Under the leadership of the United States, the world financial system must be reorganized and a new “Bretton Woods II” world financial system must be created by the political will and the decisions of governments.

In view of the events of recent days, the crucial importance of LaRouche’s second point has become quite evident. Everything points unmistakably to the fact that Hashimoto’s program for “stabilizing” the Japanese financial system with \$500 billion signifies a further escalation of the world financial crisis in the direction of *hyperinflation*. Public money and the savings deposits of the “little people” are being used to an enormous extent in order to balance out the losses of private financial institutions. The “bad” credits of the private banks — fictitious capital — are not being *surgically disposed of*. There is no thorough “value adjustment” to the cost of private financial interests. Instead, the “bad” credits are being “parked” longer term, that is, they carried into the future with the view to retire them over some unspecified, but lengthy period of time.

The total mass of financial aggregates is being extended even further by means of the continued policy of pumping

liquidity via the 0% interest rates of the central banks and the “injection” of immense volumes of public money, which will necessarily have hyperinflationary consequences. And the funds made available by the central banks and the governments are not flowing into an stimulation of the real economy, for national or transnational projects to increase productivity. Instead, they are seeping away into the bottomless pit of the objectively bankrupt financial system.

The Hashimoto program is one of a line of similar, but smaller, public mega-bailouts. At the beginning of the 1980s, the American savings and loan institutions were “deregulated,” i.e., the restrictive regulations for the investment and credit-issuance practices of the S&Ls were nullified. By the end of the decade, the ensuing speculation in real estate and financial paper had ruined the S&L system. President George Bush saw to it that an estimated \$200 billion was spent on the bankrupt S&Ls. The lion’s share of public money did not flow into protection of the deposits of the “smaller savers,” but into paying off *private claims*, in the aftermath of the speculation.

The bankruptcy of Crédit Lyonnais, the largest bank in Europe at the beginning of the 1990s, was similar, although in smaller dimensions. Credit Lyonnais suffered losses estimated at \$50 billion in real estate, bond, and derivatives speculation, together with bad debts. Instead of carrying out a surgical valuation adjustment, the losses and the bad credits were taken over by the state, i.e., by the French taxpayer.

But the crises of Crédit Lyonnais and the American S&Ls seem small and harmless in comparison with the current banking crisis in Japan.

## Hashimoto stricken by Anglomania

Immediately following a five-day Jan. 9-13 high-profile visit to Japan of British Prime Minister Tony Blair, Japanese Prime Minister Ryutaro Hashimoto took the extraordinary initiative of writing a signed commentary for the widely read, Rupert Murdoch-owned British tabloid, *The Sun*. Under the headline, “Britain and Japan Must Go Forward Together,” Hashimoto fawns that “I cannot recall a time when Japan’s relations with Britain were so good. Tony Blair and I are both determined to achieve a more compassionate yet efficient society and to take the tough decisions required.

“He is a new star on the world stage, and whether addressing our top businessmen or meeting the people of Tokyo, he has made a huge impression, which can only benefit our relations further.”

Hashimoto lists a number of Britons of the past, including that ideologue of British imperialism, Charles Darwin,

as among “my childhood heroes,” and goes on: “I always wondered what it was about Britain that gave birth to so much talent. I was also inspired by the Boy Scout movement. When I was young, I became a Scout, and impressed by the ideals of the founder, Lord Baden-Powell, I later made a special visit to Scout headquarters.” (Hashimoto was evidently not informed, before writing this article, that Baden-Powell was recently exposed on a British television program, as an active homosexual.)

After issuing an apology for the “tremendous damage and suffering” caused by Japanese treatment of British prisoners of war during World War II, Hashimoto writes that “I look forward to two visits to Britain later this year — first, for the Asia-Europe Summit in London, then to the G-7 Summit in Birmingham. . . . *We are working together in a number of areas, and these regular contacts can only help*” (emphasis in original).

“But the highlight for us of the Anglo-Japanese relationship will be the state visit to the U.K. of Japan’s emperor and empress in May. They are looking forward to seeing the new Britain. I welcomed Tony’s statement that they would be warmly welcomed by the British people.”