

IV. From Lyndon LaRouche

September 21, 1998

THE 1998 CASE OF JAPAN

Save the Nations and the People! Not the Banks!

by Lyndon H. LaRouche, Jr.

Jan. 4—Originally titled, “Save Japan! Not Banks!,” we have retitled this 1998 article because of its universal applicability in this crucial 2025 Jubilee Year – the Editors.

Under the program of economic reconstruction which was launched during the period of U.S. General of the Armies Douglas MacArthur’s official residence there, Japan launched a model economic policy, which came to rank among the world’s most respected post-1945 achievements in post-war economic reconstruction. Later, during the 1970s, Japan began to come under intense pressure to reverse and destroy its economic achievements, pressures prominently including those from a notorious duo of U.S. national security advisors: first from Nelson Rockefeller’s “Tweedledum,” Henry A. Kissinger, and then David Rockefeller’s lackey “Tweedledee,” of Carter Administration days, Zbigniew Brzezinski.

In a Japan play on the words “Rockefeller” and the Lockheed aerospace firm, one of the key, internationally orchestrated intelligence operations used to break Japan’s political will, was sometimes referred to, with a touch of bitterness, as “the Lockheed scandal.” This was the model for the allegations of corporate bribery used to break Japan’s 1970s resistance to a U.S.-dictated beginning of a long-term, downward turn in its economy.

Those developments of the 1971-1982 interval, led into Japan’s financial crises of the 1980s. During

Editor’s Note: This article first appeared in *EIR*, Vol. 25, No. 39, October 2, 1998, pp. 44-46.

the 1980s, with the Plaza Accords, and the later misdirection of Japan into large-scale derivatives speculation, the bankruptcy of Japan’s derivatives-drenched, financial and monetary system, has become today’s principal immediate threat to bring down the entire world’s financial and monetary system.

The final blow to the sanity of what passes for Japan’s youthful financial elites, and the immediate cause of the presently ongoing collapse of Japan’s banking system, was Tokyo’s capitulation to the present phase of derivatives speculation. This phase of Japan’s ruin, was introduced to it by major financial interests of London and Wall Street, beginning the international political crises which accompanied the fall of the Soviet system, during 1989-1991.

The question is, shall Japan save the baby, or the dirty bathwater, Japan’s healthy industrial economy, or the worthless banks? There is but one sane answer to such a question. Accept the fact that Japan has been lured into financial bankruptcy. Put Japan’s financial system through action resembling a mid-1920s “Dawes Plan”-style of drastically purgative bankruptcy reorganization. Do this under new laws of the U.S. “Chapter 11” type; and, use a financial reorganization akin to Germany’s highly successful post-war reconstruction, through the Kreditanstalt für Wiederaufbau, to return Japan’s economy to the export-oriented, pre-“Rockheed scandal,” industrial export policies of the pre-1971 period.

The reasons for the economic successes of the earlier part of Japan’s post-war decades, ought to be well known. Unfortunately, for most of the relevant, economics-illiterate specialists of that younger

generation dominating Alan Greenspan's Wall Street, Toyko, and many other centers of the world's economic-policy-shaping, today, even the most elementary facts of Japan's earlier achievements are beyond their comprehension. It is indispensable that those younger fellows be sat down, to be told a few elementary facts of economic life. If they refuse to learn, they must be set aside, replaced by saner minds. Rude? Perhaps, but such are the facts of real economic life.

Here, we lay out the most crucial features of a Japan economic-recovery plan, step by step. We begin with a fact which any graduate of a decent U.S. elementary school would have learned in earlier decades, as a geography lesson. Japan is an island nation, of whose total land-area only a small fraction is economically habitable for much use but that of a watershed and scenic recreation-areas. Even to meet the most elementary requirements of its population, Japan requires imports of food and raw materials, imports which can be secured only through earnings from Japan's high-technology exports.

In modern times, only two types of industrial exports could serve as a source of income to offset Japan's import requirements. One is high-technology, machine-tool-design-grade industrial exports of capital goods; the other is export of heavy engineering capabilities into large-scale infrastructure programs of nations of the world lying, principally, to Japan's south. On both counts, "Go south" is the key to Japan's long-term economic success.

To understand the role of U.S. National Security Advisors Kissinger and Brzezinski in ruining Japan's excellent economy, take two model cases from the 1970s: Iran and Mexico.

In both cases, the growth policy had been based on the concept of oil-for-technology packages. Kissinger and London played the leading roles in shutting down Japan's role in the economic development of Iran; the Carter Administration's Brzezinski, together with the Reagan Administration's advisor Henry Kissinger, played key roles in shutting down Mexico's development plans. As Kissinger's and Brent Scowcroft's notoriously racist population policies (e.g., NSSM-200) of the mid-1970s show, and as the racist population policies of the Trilateral Carter Administration (e.g., Global 2000) also show, the intent, in both cases, was not only to wreck the economic-development prospects of the oil-exporting

nation, but, also, to ruin Japan's industrial economy.

In opposition to the exemplary, ruinous demands by the dubious duo of Kissinger and Brzezinski, the best pro-growth policy of Japan was one sometimes described as Japan's vital interest in a "knowledge-intensive export" orientation toward nations, principally, to the South. This meant upscaling the productive technology of Japan's customers, using proven Japan technologies for this purpose. There were often moral flaws within the way in which the "knowledge-intensive export" policy was defined in practice, but, with a bit of fixing, it represents the natural mutual interest of both Japan and its relevant current and prospective trading partners. Very significant, is that this notion of "knowledge-intensive export" was a Japan conception, not, like Tokyo finance's lunatic, suicidal rage for derivatives speculation, something dumped upon it by some shallow-minded U.S. or British "wonk"-pack.

It is an enhanced version of the "knowledge-intensive export" orientation on which we concentrate attention here.

The Recovery of Japan

Japan's late-Nineteenth-Century emergence as the leading industrial nation of Asia, was the result of the success of U.S. President Abraham Lincoln's administration, in defeating the British puppet, the Confederate States of America. That strategic victory, and the 1861-1876 U.S. industrial revolution, which established the U.S. as the world's most powerful, most technologically advanced national economy, persuaded the authors of Japan's Meiji Restoration to adopt the American model. As in the case of post-1877 Germany, and Czar Alexander II's Russia, it was the U.S.A.'s Henry C. Carey, the world's greatest, and most successful, living economist of that time, and Carey's representative, E. Peshine Smith, who led these and related efforts to spread the U.S. agro-industrial model into Europe and Asia.

Until the present outbreak of Japan's banking crisis, the origin of Japan's greatest misfortunes during this century, has been its recurring alliances with Britain, against the U.S.A. Such an alliance came into the open with the launching of the first Japan war against China, 1894-1895. This grave error in Japan's policy, which included its conquest of Korea, was followed by the de facto British-Japan alliance in the Russo-Japanese

war. During this period, until 1945, Japan remained, strategically, either an anti-U.S. ally of London, or, despite Britain's nominal anti-Japan alliance with the U.S.A. during 1941-1945, a British strategic asset, or gambitable pawn, against the U.S. and U.S. China policy in Asia, until the close of World War II. The origin of the war-plan for Japan's December 7, 1941 attack on Pearl Harbor, for example, was as a by-product of a Japan naval alliance with Britain, against the U.S.A., beginning the period immediately following World War I.

Nonetheless, the combined influence of Germany's world leadership in science and the U.S.-modelled industrial development of Germany, upon Japan's science and technology, remained strong. The famed, World War II Japan "Zero" fighter aircraft, was a reflection of the same Riemannian tradition of Prandtl et al. otherwise exhibited in the Peenemünde aerospace programs of the 1930s and 1940s, the same German tradition which later supplied the U.S. its first, post-war success in jet-powered supersonic flight. Similarly, Japan's naval development throughout the late Nineteenth and early Twentieth Centuries, prefigured much of the successes of its post-1945 development of heavy industry.

In Japan, as in all cases of economic development of nation-states, success rests upon a combination of several leading social and economic factors. First, either to prevent, or to break, or at least greatly tame the power of any feudal land-owning class. As the history of modern Europe since France's Louis XI, demonstrates this forcefully, and repeatedly, this anti-Yahoo shift in political power is indispensable for the kinds of social policies, especially in education, needed as preconditions for developing the productive powers of labor.

The type of educational policy which has proven itself fruitful on this account, is a policy of universal education modelled upon the precedents of such European teaching orders as the Augustinians, Franciscans, Brothers of the Common Life, and Oratorians. The successes of these teaching orders supplied the origins of programs of Classical humanist public education later introduced into North America and Europe. The methods of the Brothers of the Common Life and Oratorians are of particular urgency for producing a population which is efficiently competent in the assimilation, development, and application of

science and technology. Such educational policies presuppose a corresponding—no Yahoos!—social policy of practice respecting all of the nation's family households.

The remaining essentials of a successful economic policy, are to be taken from the lesson-books of U.S. Treasury Secretary Alexander Hamilton and the followers of France's Lazare Carnot. Without the aggressive, centralized development of large-scale basic economic infrastructure, of a type which could not be accomplished without direction of the government, no general economic development is possible. There can be no progress in the productive powers of labor without capital-intensive, power-intensive modes of investment in scientific and technological progress. There can be no adequate rates of scientific and technological progress without a relatively large-scale sub-section of industry devoted to transforming forced-draft fundamental scientific progress, into the proliferating application of improved machine-tool technology.

Without these combined measures, there is no possible source of a sustainable, net national economic profit, excepting by looting and stealing, as the British financier oligarchy and its brutish "free trade" system have done for centuries. Japan has all the internal essentials, and also the market opportunities, of a national economy with the required qualities. The task of rescuing Japan from self-induced financial suicide, now, is, to translate that potential of Japan into the required results. The best industrial practices of pre-Kissinger, pre-"Rockheed Scandal," post-war Japan, provide most of the needed examples to be applied.

The Global Setting

The indicated economic reorganization of Japan matches the objective potentials to be found in such places as its relation to China, and to the nations of the Asia side of the Pacific and Indian Ocean rim, in particular. Admittedly, at the present moment, these are only possibilities. To realize such potentials for both Japan and its trading-partners, would require a new international financial monetary system, one with many similarities to the Bretton Woods and related arrangements of the pre-1958 period of global, post-war economic reconstruction.

Obviously, both sets of remedial action, those internal to Japan, and those in the realm of

international relations, must be coordinated, essentially simultaneously. Here, on this account, the President of the U.S.A. and his Treasury Secretary, Robert Rubin, are indispensable for the survival of Japan, and for civilization in general. Some may not be pleased to hear those facts, but these are the facts. Reality can be very cruel to those deserving fools, like the Biblical Belshazzar, who refuse to face the warnings presented by such potentially apocalyptic facts.

On both sides, the American System of political-economy, which formerly served Japan so well, must be the standard of reference for the measures of reform to be instituted now. If precisely such reforms are not imposed on international relations, and that very soon, this planet will assuredly flop into the collapse of civilization, that “new dark age” which the backers of U.S. special prosecutor Kenneth Starr are threatening to bring about.

The area in which Japan may find its greatest trading potentials, represents more than half the population of this planet—not exactly a poor market to have. Moreover, as the recent and continuing rate of economic growth in China shows, the entire area, allowed to do as Malaysia’s Prime Minister Mahathir bin Mohamad illustrates the point, is an area of the relatively greatest potential, as measurable in rates of net physical-economic growth. Japan’s principal market sectors in this, and other regions of the world

are concentrated around the specialties of heavy engineering and frontier-technology capital goods.

This is the same area which Japan shares with the currently waning machine-tool powers from the past: the U.S.A. and Germany, most emphatically, and also shares, potentially, with the machine-tool potential of the former Soviet Union’s military-scientific-industrial complex. The principal means for uncorking this potential is peremptory action by a group of nations (whether or not the British Commonwealth accepts this), to establish a new, protectionist, dirigist international financial and monetary order modelled on the precedent of the pre-1958 Bretton Woods system.

By bankrupting, and, usually even simply nullifying, the monstrous, cancerous accumulation of speculative financial paper choking the world economy today, we may declare the Jubilee, give anguished humanity a fresh start, and launch long-term credit emission for those heavy-engineering and machine-tool-grade capital goods needed to bring about renewed net physical-economic growth world-wide. As a celebrated wise man once said of the 1929 stock-market collapse, “It is only paper.” Let it go; reorganize the world’s finances; and, get back to the business we used to be in, before that orgy of “post-industrial” and monetarist lunacy which was unleashed approximately thirty-odd years ago.