

Report from Bonn by Rainer Apel

Production, instead of speculation

The reality of the global, systemic financial crash is beginning to dawn on some people.

Even in Germany, a longtime bastion of monetarism, a re-thinking of economic policies has begun. Those among the labor unions, protesting students, banking sector and administration, and even in the media who are engaged in this debate, are beginning to voice views which to date have been “exclusive” to the La-Rouche movement.

This comes as no surprise. Many have been familiar with these programmatic views—and most have rejected them. But now, there are many others who are questioning aspects of monetarism. Whatever the International Monetary Fund (IMF) and the World Bank have been doing during the crisis of the second half of 1997, has come under heavy criticism. Especially among the Asia correspondents of the German news dailies in Tokyo, Seoul, and Bangkok, there are some who say the times have changed, that the IMF cannot impose its conditionalities any longer.

There is quite a number of journalists and bankers who consider emergency aid packages such as that for South Korea, as mere lip-service to a system that no longer works. As one banker told this author just before Christmas, all these big “consolidation” programs will not work in Japan, simply because the former “group solidarity” among the biggest banks of what once was “Japan, Inc.,” no longer exists. Some banks would go along with the IMF, other banks would not. The government would like to save one bank or company from collapse, but other banks will sabotage the bailout. This, he said, is the secret behind the

collapse of Yamaichi Bank and the Toshoku wholesale chain. What can be observed in Japan, can also be observed in Europe or in the United States. But within this present system of monetary and financial policy, there is no other option than to continue to use the bailout as long it works, he said.

Faced with the prospect of a total, instantaneous collapse, monetarist elites in all parts of the world are casting their hopes on bailout operations, and a slow, controlled disintegration of the system. Two or three more years of turbulence such as we have seen in 1997, is certain, and the worst is yet to come, the banker said.

The remarks of Kenichi Ohmae, a former director of the McKinsey office in Tokyo, in an interview in the January 1998 issue of *Manager Magazine*, a business monthly, has been referenced a lot in the media. His remarks on the Japanese situation and its effects on the rest of the world economy have been characterized as a warning of the coming crashes in the new year. Ohmae said that “it is too late” for any countermeasures, to stop the ongoing crash. The entire Japanese banking system will collapse; it is already bankrupt, and there are financial restraints on the government’s bailout options. For the next five years, Japan will suffer, and other parts of the world will suffer, too, because their economies are closely connected with Japan, he said. A new start will only be possible if Japan returns to the classic principles of its economic strength, which are the skills and productivity of its workforce.

This may still be a minority view

in Japan, as it is in Germany, but there are people thinking in this direction. Compared to the billions of dollars involved in emergency bailouts, 120 deutschemarks is a ridiculously small sum. But, it is what the state of Hesse is investing per capita for the 600 engineering students in the machine-building department of the Frankfurt Special Studies University, to keep the institute functioning. This does not cover the costs of heating, however, and in the rough winter of 1996-97, the school did not have the money to turn its heating system on. It “was like wartime conditions,” Prof. Hans-Rainer Ludwig told this author. At the last minute, a special emergency fund was discovered, so that the heating system could be turned on. This happened in Germany, one of the leading industrial nations of the world.

Generally, the education of young people as engineers is badly neglected in Germany, Ludwig said. The politicians should encourage the young generation to study an engineering profession, because that is what will have a future. It is not the case that youth are hostile to technology, in the sense that the greenies are, but their interest in technology is not promoted by the school system, or by the politicians. German youth are being alienated from technology, and this explains why there is only one engineering student for seven more who are studying law, social sciences, and culture. This is an intolerable ratio for an industrial nation.

Ludwig said that engineers have a future, especially if they add the study of other cultures, languages, and nations to their technological studies, to prepare for engineering missions abroad, in industrial, power, or infrastructure development projects. Also, in Germany, a lot of infrastructure must be rebuilt early in the next century.