

new fund or agency, jointly owned by the government, the banks, and private companies, to purchase industrial stocks held by banks which might otherwise be dumped and cause the market to spiral. This fund could also purchase “bad” or non-paying loans which banks have made to the productive sector, and hold the stocks and loans for five years. By selling them, the banks would receive fresh capital to lend to the industrial economy.

Undecided is, what happens next to the “bad” stocks and loans. This “useful debt” can be capitalized in a government development bank, modeled on the postwar Japan Development Bank.

Interview: Dr. Akira Nambara

‘Wake Up and Get A Sense of Crisis!’

Dr. Akira Nambara is the former Executive Director of the Bank of Japan and former Deputy Director of the Japan Export-Import Bank, and is known for his outspoken views. He was interviewed by Kathy Wolfe on March 14.

EIR: What is your view of Finance Minister Kiichi Miyazawa’s striking comment that Japan’s finances are close to collapse?

Dr. Nambara: I have not been able to ask him why he suddenly used words such as “collapse” and “catastrophe,” because he’s been far too busy with this mess, so I can’t say in detail. However, although he later retracted the statement, it is a fact that the Japanese economy as a whole will be on the brink of collapse unless Japan’s Liberal Democratic Party [LDP] dramatically changes and takes some leadership, and stops focussing only on media and public opinion. Probably, Mr. Miyazawa was trying to warn not only his fellow politicians, including the opposition parties, but also the mass media, to wake up and get a proper sense of reality and crisis. I presume he is absolutely disgusted, like me, about the corruption inside the LDP. He should also have said that the LDP is on the brink of collapse.

Miyazawa is an unusual Japanese politician; you might say he’s a swan amongst ugly ducks. As far back as 1987, in the Louvre Accord among the Group of Seven industrial nations to stabilize their currencies, it was his initiative to stabilize the monetary system using currency bands, just like the European Monetary System, which was heavily attacked by Milton Friedman and the Chicago free-trade school. But unfortunately, just as with the EMS in 1992, in the recession

after the Gulf War, the markets were too chaotic, the exchange rate band was too narrow, and it didn’t work. So, Mr. Miyazawa proposed a number of budgets in 1993, which stimulated trade. Without those actions, I don’t think our economy could have recovered, or that the East Asian economy could have developed since that time.

In 1992, as Prime Minister, he also proposed a plan to wipe the non-performing loans [NPLs] off the balance sheets of Japan’s banks while the stock market was relatively much higher. In hindsight, now everyone admits that if his policy had been followed, we could have avoided today’s disaster, but, at that time, almost everybody was opposed to his idea; he could not get a consensus. He wanted to put a small amount of government funds to expand the capital of the Long-Term Credit Bank [LTCB], which was Japan’s basic bank for the national infrastructure, to build more infrastructure, but the idea was rejected by the mass media as a bailout. The LDP was the problem: too interested in media and public opinion, not enough interested in doing the right thing for the country.

EIR: The Japanese mass media, as in the U.S. and in South Korea, too, are notoriously controlled by Wall Street.

Dr. Nambara: Indeed you are right. So, although Miyazawa is one of the least corrupt Japan politicians, even though he was Prime Minister, he could not get what he wanted. Then, instead of being solved, the NPL problem just got worse and worse.

Later, when Mr. [Keizo] Obuchi came to office as Prime Minister during the Asia crisis, Miyazawa felt he was getting on in years and didn’t want to be in government any more—but he gave in to Obuchi’s plea to continue as Finance Minister, out of a sense of duty to the country and the region in the crisis. Thanks to the support of Mr. Obuchi, he was able to implement his Miyazawa Plan, which I really think saved the entire East Asian region.

EIR: The Miyazawa Plan was about \$30 billion in trade-related credits to Asia?

Dr. Nambara: Yes, it was implemented after the U.S. Treasury rejected Japan’s original idea of an Asian Monetary Fund in 1997.

EIR: It’s been said that if we combine the Japan Export-Import Bank credits and other government Miyazawa Plan funds, with Japan’s private bank loans and corporate investment to the rest of Asia related to the Miyazawa Plan, Japan loaned and invested over \$400 billion to its Asian partners during 1997 to 1999.

Dr. Nambara: Yes, maybe more. It was this, which somewhat alleviated the worst of the crisis.

EIR: Not anything the International Monetary Fund [IMF] did?

Dr. Nambara: Oh, no. I should tell you that without Mr. Miyazawa and his plan, many countries would have been more ruined, and even Malaysia's Dr. Mahathir, who has exerted such leadership in Asia, could never have survived in office due to the economic chaos. I was Deputy Governor of the Japan Ex-Im Bank from 1994 to the end of 1998, and I was happy to help Miyazawa during that time. In 1999, the Japan Ex-Im Bank and the Overseas Economic Cooperation Fund were merged into the Japan Bank for International Cooperation [JBIC] and implemented the Miyazawa Plan, and did a nice job.

But now, so long as he stays within the LDP, I don't think Mr. Miyazawa can go too far out of the fold. Some years ago, it was reported that he made a speech for Mr. Obuchi's birthday, saying, "Japan is a very funny country. I have the authority, and I propose correct policies; but instead, people without authority, who have the wrong policies, are the ones to have their ideas implemented." For example, take the case of the nationalization of the Long-Term Credit Bank. Once it was nationalized, he wanted to have the government hold the bank and sell it only after the economy would come back to normal. But due to the media, opinion, and LDP pressure, he was forced to privatize and sell it off within only two years, at whatever loss. So he did, and now it is bankrupt again. There is enormous corruption in the LDP. We have to totally reorganize the LDP; either the LDP will collapse, or it has to be rebuilt.

EIR: Yes, but this was also very profitable for the Wall Street investors who bought many Japanese companies, including LTCB, the former jewel of the system.

Dr. Nambara: That is correct, but it's not enough just to blame foreigners; fundamentally we should blame our own people and the media for caving in to such Wall Street pressure.

EIR: Our Founding Editor Lyndon LaRouche said recently that Miyazawa and Bank of Japan Governor Masaru Hayami may have had it with printing all this money in Japan, just to finance the U.S. current account deficit. He said that Miyazawa's "collapse" statement was likely not an uncontrolled outburst, but that Miyazawa is a knowledgeable old hand, who was warning that this can't go on.

Dr. Nambara: Yes, I agree with Mr. LaRouche—probably Miyazawa was quite disgusted with the the downward development of the stock market and the yen, and the recent selfish actions of the LDP, or lack of action.

EIR: It was reported that Mr. Miyazawa was quite angry at the Palermo G-7 finance ministers' meeting in February, when the Bush Treasury Department demanded that Japan just write off all the bank debt, in a free-market big bang. Wouldn't this mean shutting down a lot of industrial companies whose loans were involved, just as the IMF is demanding

of Hyundai and Daewoo, in Korea?

Dr. Nambara: Yes, then Japan, too, would have to sell its banks and companies to foreigners, as Korea has been forced to do, also something very profitable for the international investors. This of course would be intolerable.

EIR: But so far, there have been only two ways proposed to deal with the banks. The first way is to do as has been done, which is nothing, just muddle through. The second way is the Palermo "shock therapy" program. *EIR* has proposed a third way, which is the general reorganization of the whole \$400 trillion global bad debt overhang, and the creation of a new monetary system.

Dr. Nambara: We are for a third way, but we have to wait until the economy comes back. Even in 1995 and '96, we had a 4-5% real growth rate, which was quite reasonable. That's exactly why there was progress to get rid of about one-third of the non-performing loans. We were then, however, hit by the Asia crisis in 1997, and [then-Prime Minister Ryutaro] Hashimoto had also implemented a foolish fiscal policy, by raising taxes at exactly the wrong time, from which Japan is still suffering. This is another reason why, although the Bank of Japan adopted a 0% interest rate policy, it has done no more than keep our economy at sea level. There is no way, under the current fiscal policy, to get real growth. We need a major fiscal reorganization, and a big political reshuffle, and I think we have to have a general election as soon as possible, and not wait for upper house elections in July.

EIR: I'm afraid that neither the Japanese nor the U.S. economy can possibly come back without a global reorganization. But by fiscal reorganization, do you mean something like the Kennedy tax cut of the 1960s?

Dr. Nambara: Something like that, but a little bit different. Pundits say that our situation is just like the U.K.'s, right before Thatcher became the Prime Minister, and we must have a hard landing to produce a Thatcher-style leader. This is foolishness. Our economic situation is totally different from that of the U.K. early in the 1980s. Japan has huge savings in the private sector of almost 1,400 trillion yen (\$11.6 trillion) which are just sitting there. A net 800 trillion yen is sitting in the banks at almost no interest. We also have a huge cash flow in the business sector. Japan still enjoys \$1 trillion of net external assets.

EIR: Whereas the United States is a net debtor to the world.

Dr. Nambara: Yes. Even the Japanese government debt is owned mostly by our own people. The banks are the problem; they are frozen up, and so they don't act as intermediaries. We just need some kind of incentive to push this money into action, into the active side of the economy. But the political class are impossible, they don't have any sense of crisis at all, they are just concerned with their own personal interests. If they would wake up, we could get some things done.