

Glass-Steagall, To Stop Catastrophe

Daisuke Kotegawa is the Research Director of the Canon Institute in Tokyo, former official of Japan's Ministry of Finance, and former Japanese Executive Director at the IMF. His remarks were read by Mike Billington.

Michale Billington: Daisuke Kotegawa, who has addressed several of these “New Paradigm” conferences, was recently in Russia, where he was asked by the major weekly journal *Zavtra* to give his evaluation of the current global financial situation. His response, published on the front page of the Oct. 10 issue of *Zavtra*, was as follows:

Daisuke Kotegawa: My experience and research indicate that a financial catastrophe, accompanied by a global collapse, could happen in the immediate weeks ahead, unless the leaders of the major economic powers adopt certain specific, tough measures. The crisis is linked with the situation in the United States, where political disputes have led to a freeze-up of the budget process and a rejection of attempts to raise the



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Daisuke Kotegawa at the April 2013 Schiller Conference in Frankfurt, Germany.

debt ceiling. Because of this, my view of the overall situation is extremely skeptical.

Billington: Then, in the Oct. 24 issue of *Zavtra*, an article on the Rhodes Forum, Dialogue of Civilizations, in early October, reported on Mr. Kotegawa's presentation, where he was invited to be a member of the panel on the podium during a session on Eurasian Integration, chaired by Academician Sergei Glazyev, an advisor to President Vladimir Putin.

Zavtra: The well-known Japanese economist, former IMF Executive Director for Japan Daisuke Kotegawa, in his presentation, outlined the current prospects of the world economy and financial markets. His view is that the USA is unable to stop the quantitative easing program, or to cease raising the federal budget deficit ceiling, because in that case the world would be swamped in a second wave of the global systemic crisis, which would be larger-scale and more severe than the first wave that began with the bankruptcy of the Lehman Brothers investment bank in 2008.

In Professor Kotegawa's view, the world's major financial organizations are now preparing to strike a blow against the weakest EU member countries—Greece, Spain, Portugal, and Italy—as well as against South Korea. Meanwhile Eurasia, especially Russia and China, have good prospects for development. Against a backdrop of stagnation in the world markets, these two countries have an enormous population, with a high level of domestic solvent demand. Despite all the differences in their economic models, China and Russia share a need to carry out major state investment programs for development, to provide government guarantees to private business within their countries, and to have state banks extend credit to such businesses at low interest rates.

Billington: As to what Mr. Kotegawa meant by his reference to “certain specific, tough measures” which must be taken in the Western nations, he sent a message to this conference which states:

Kotegawa: It is of vital need now that the Glass-Steagall Act be re-instated, and investment banks be liquidated as soon as possible, to save Europe and the world economy. This is a war against filthy bankers, who gained a lot of money from gambling, and let taxpayers pay their losses, while they avoided paying taxes, using tax havens and financial authorities who are their allies. This is a war for diligent workers who work hard, save small amounts of money in deposits in commercial banks, and honestly pay their taxes.