

## RESCUING ASIA: WILL A \$100 BILLION BAILOUT REALLY REFORM ECONOMICS AND REIGNITE GROWTH?

The Nov. 17 cover of Business Week announced in huge type: "RESCUING ASIA. HOW A \$100 BILLION BAILOUT COULD REFORM ECONOMICS AND REIGNITE GROWTH." The cover shows a sinking arm tattooed with a map of Eastern Asia sinking into an ocean, grasping at a life-preserver (composed of green currency thrown to it.). The lead article proposes a financial bailout "with a price tag of more than \$100 billion At stake: Global economic health." But nowhere is there spelled out in the six page article the least understanding of the basis for the Asian collapse. Business Week proposes an International Monetary Fund (IMF) bailout, mostly paid for by the U.S. taxpayer. It would shell out \$40 billion to Indonesia, \$40 billion to South Korea, \$22 billion to Thailand and a measly \$1 billion to the Philippines. Nothing is said relative to the ludicrous IMF terms imposed on the bailed out grantees, such as the demanded and delivered big increase in the Thailand sales tax and other crippling preconditions.

BW notes that as long ago as October 30, U.S. Treasury Secretary Robert Rubin announced his agreement to American participation in an IMF bailout of Indonesia. Since then, he has expressed interest in U.S. participation in other Asian bailouts. Rubin is the somewhat slippery gentleman who, upon his appointment, wrote his old Wall Street friends that his door in Washington would continue to be open to them. Possibly he could persuade some of the most prosperous of his Wall Street buddies to come up with the burden of loans that otherwise would be foisted on the American taxpayers. Rubin's former fellow financier, convicted felon, Michael Milken, for example is reported to have stashed away well over a billion dollars to ease his worries after he was released from the slammer.

BW also notes that Asian companies have gone into hock to the rest of the world for over \$800 billion since 1992. Japanese banks alone have lent their Asian cousins \$263 billion, and Americans have contributed \$55 billion. In addition, BW reports that banks in Indonesia, Malaysia, the Philippines, Thailand and Singapore have run up bad debts of \$73 billion, an amount equal to 13% of their economic output.

Business Week glosses over the Thailand heavy sales tax hikes. And it barely mentions the "58 wobbly finance companies that made big, bad bets on the real estate market." BW asserts that "it was Washington's pledge of \$3 billion to the Indonesian bailout that gave the IMF the extra boost it needed. "Nothing was said about the Suharto government being one of the most corrupt and unjust dictatorships in a world where land monopolists, controlled by or consisting of the Government, make any outside help useless, whether it comes from the IMF, World Bank or the United States.

BW also briefly mentions China, where top banks have \$90 billion in problem loans, "and real estate in Shanghai and Beijing is overbuilt." China admitted that some of the money already lent to it by the World Bank (mostly U.S. money) "had been used for speculative investments."

Referring to foreign banks being involved with aiding Japanese banks on their exploded real estate loans, BW states that Bankers Trust, New York Corp. has teamed with Nippon Credit Bank, Barclay's bank with Hokkaido Takushoku Bank, and Swill Bank with Long-Term Credit Bank of Japan "to package real estate into marketable securities, price, and distribute them globally." With the Japanese banks thus removing the bad real estate loans from their lists, in return for disposing of Japan's bad land loans, these foreign banks get equity stakes in the Japanese banks, as well as fat fees for brokering deals and a chance to acquire decent Japanese real estate at below-market prices.

In sum, it is high time that we realize that economic stupidity in one nation affects the economy of all other nations, in this world of economic interdependence. It is high time that BW, IMF, the World Bank, and the US government realize the truth of the statement by David Ricardo about 175 years ago that, "There is no gain to society at large from the rise of (ground) rent. It is advantageous to the landlords alone and their interests are thus permanently in opposition to those of all other classes." ■ 