Indeed, by refusing to see the parallels to Japan, Westerners in general and Americans in particular have prevented themselves from learning from Japan's mistakes. And, as the maxim goes, those who don't learn from history are doomed to repeat it!

Yet history will continue to repeat itself – for the American people will behave similarly to the Japanese given the demographic backdrop and bubble experiences. The biological, i.e. the "animal spirits" factor should not be underestimated. Among other things, human behavior is the product of evolution: it has remained strikingly similar across time and cultures. The bubble experiences in Japan and America confirm that. How, otherwise, could such highly developed cultures have fallen prey to such foolish bubble behavior?

Based on more than a decade of Japanese history since the burst of the bubble, I am, therefore, convinced that we know what is in store for the U.S. The parallels to Japan are too remarkable to allow for any other conclusion but that the U.S. will shadow Japan's development for many years to come.

As a result, overall economic growth will remain lackluster. That doesn't mean that the U.S. economy will shrink – over the past decade, Japan's economy certainly hasn't. But it does mean that it will on average grow substantially below its potential for many years to come. That will deliver higher unemployment as job creation will fail to keep up with population growth. As a result, more hardship is in store for large parts of American society. The effects will show in an increase in crime, homelessness, and suicides among other things.

In general, deflation – a general drop in the aggregate price level – will pose the greatest problem to the economy for the foreseeable future. In this environment of downward price pressure and slack in the economy, corporate profit growth will disappoint. High levels of bankruptcies will remain a fact of life for years to

come. However, with little price pressure, the bond market will perform strongly and long-term interest rates will decline further.

In this environment the American stock market will trend down. It won't need to mirror the Japanese market entirely, which dropped eighty percent from its peak at the end of 1989 to a low in early 2003. Nevertheless a drop of at least fifty percent from its high is a near certainty in my view. That will eventually bring the Dow Jones below 6000 and the S&P 500 below 700. Most certainly, the stock market gauges will end the current decade at much lower levels than they started it. In line with Japan's experience, the low in this bear market may still be a decade away.

The fall in asset values will hurt those most who own them or have extended credit against them. As in Japan, the entire financial sector will follow a rocky road. Stocks of financial institutions are likely to perform worst as a group. In such a price driven environment, only cost leaders will outperform.

American real estate will perform badly, too. The price of the average American home will decline over coming years. In parallel to Japan, the decline will be a drawn out affair. Overall, average house prices will end the decade lower than where they started it. This will weigh heavily on those sitting on mortgage debt, both from the perspective of creditor and debtor. The federally sponsored mortgage entities Fannie Mae and Freddie Mac will most certainly face big problems by the second half of this decade.

The already sharp deterioration of U.S. public finances will continue: huge budget deficits are here to stay in the first decade of the new millennium. Most certainly, America's budget deficits will remain on their explosive path for at least the rest of this decade.

The political landscape will become unstable: in Japan this resulted in the ruling party yielding up power after 38 years of uninterrupted rule. In the U.S., opportunities for renegades to make inroads will increase sharply. The election of an outsider with no track