

Worth reading

America and the fate of Japan

America is not Japan. No sentence is to be heard more often than when there is a comparison of the severe financial crises that have struck both countries respectively. Washington has countered the threat of slipping into an economic state of shock much faster than Tokyo did a decade earlier. Accordingly, the U.S. has much better chances to recover from the after-effects of a collapsed property bubble. America will surely be spared several years or even a decade-long ice age afflicting its economy.

Investment banker Thomas Signer doubts this mantra. In his opinion, the USA is drifting in the same direction: deflation as destiny, the consequence first of an inflated and then an atrophied financial sector, has struck not only the politically-encrusted nation in the Far East but also Barack Obama's America. That the two major economic powers do not want to admit that their growth story has come to an end is referred to by Signer as **"Twins in Denial"**. This is also the title of the book that he has written about the two unequal allies, the USA and Japan. Using the subtitle of the book, which is published in English, Signer indicates why America, despite all its efforts, will not escape the fate of Japan: "It's demographics, stupid!".

While the homeland of Facebook and Starbucks acts young in public, aging has long taken hold of the country. The baby boom generation is heading into retirement and that, along with rampant debt (another parallel), is paralysing the economy's dynamic.

Corroboration of Signer's disturbing thesis is still outstanding. House prices in both countries do indeed display a similar pattern after the bursting of their respective bubbles. Stock indices as a measure of prosperity, however, are following different paths. The U.S. Dow Jones is quoted about 15% off its record level, while the Nikkei never even came close to its high after its crash. Signer's book is certainly worthwhile reading, not only because it draws attention to oft overlooked demographic similarities but also because it yields an entertaining personal insight into the character of big money and its crises from a banker's perspective.

Thomas Signer: The United States & Japan. Twins in Denial: It's demographics, stupid!
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