



Balance Sheet Recession: Japan's Struggle with Uncharted Economics and its Global Implications (2003), Dr. Richard Koo. Chief Economist of Nomura Securities.

Anyone interested in understanding the **huge** impact economic policies have on our investments should read this book. **Since the monetarists view is not a Japanese view, but an economic view used by the US** and many other countries, this book is crucial to comprehending our current circumstances. Koo reveals why mass credit creation cannot be the solution when businesses and consumers start seeking to reduce debt.

This book is one of the best resources I have found on what has happened in the second largest economy in the world since the early 1990's. Unfortunately, in reading this book, the parallels to the Japanese then and the US at our current juncture are plain to see. Upon a full understanding of the situation, the glib response that this cannot or will not happen to us because "we are Americans" sounds increasingly hollow.

So let me just give you a few quotes from the book:

"This means the wealth destruction was far bigger in Japan this time around than in the U.S. during the Great Depression, with most of the Japanese wealth lost concentrated in the real estate sector." *Pg.13*

"Starting in 1999, the Bank of Japan, if only to prove the monetarist wrong, started a campaign of quantitative easing, and a massive amount of liquidity has been added as a result. However, absolutely nothing happened, both in the real economy and the financial markets. Indeed, the economy continued to weaken, and share prices continued to fall, leaving those investors who bet on the monetarist argument with huge losses." *Pg.48*

"The Bank of Japan has reduced interest rates as low as possible in order to induce people to borrow and spend. As a result, the present interest rates in Japan are the lowest ever recorded in human history." *Pg.40*

Speaking of the Latin America debt crisis in 1982, Koo states, "His [Paul Volcker's] instruction stunned us. It basically said, 'Whatever it takes, make sure that U.S. banks stay on in Latin America and keep lending. Don't give the banks excuses to flee Latin America...The problem was so grave that it was not an ordinary banking crisis; it was a massive systemic crisis.'" *Pg.128*

Speaking of the Asian Meltdown in 1997, Koo states, "By the summer of 1997, even the overseas investors that had flocked to Asia were starting to ask themselves whether things could really go on like this... Once the selling started, however, panic followed quickly." *Pg.199*