

Top Ten Reasons for Japanese Economic Recovery

Staff Writer: Eric Wolfe

The popular American late-night talk host, David Letterman, is famous for his “top ten list”. Rather than tackle a subject such as the “Top ten best things about global warming”, I have created a list of the top ten reasons the Japanese economy will recover in the not too distant future. Unlike the lists presented on the Letterman show, they reasons are not listed in any particular order:

1. The large-scale tax cuts and relaxation of the monetary supply in the US will increase exports out of Japan.
2. The transfer of technology from the public sector and universities to private corporations will create new businesses based on new technologies.
3. The likely devaluation of the yen will also increase exports from Japan.
4. In Japan, there is a saying that “a decade past is an era past. As stated in an earlier Topic, it takes approximately ten years for the memory of drastic negative event, such as the collapse of the bubble economy, to decrease to the point where people will regain confidence in the economy.
5. The introduction of the J-REIT will provide a strong flow of capital into the real estate market, which will increase demand and subsequently increase land value.
6. The transfer of commercial real estate ownership from corporate to institutional investors will provide new capital to the market.
7. In his book “The Roaring 2000s” economic forecasting guru Harry S. Dent predicts that the Japan economy will be booming again as its largest population group is in its mid-forties. Mr. Dent has identified the relationship between a large segment of the population of a developed country reaching its mid-forties, which is the age where people are likely to spend more money than any other time in their lives, and market upswings.

8. The downturn over the last year in the US the stock and real estate market will make investment in Japan more attractive in comparison.
9. In Japan there is ¥1.4 quadrillion of individual savings that is available for attractive new investment products such as the JREIT. For example, 60 to 70% of the investment in the Mitsui and Mitsubishi J-REITs came from individuals.
10. Inefficiencies in the operations and management of Japanese corporations, which were endurable during the 1980's, have been a major obstacle to the economy in the 90's and into the new century. The new international accounting standards incorporated by Japan will encourage decisions to be based on their effect on ROE, which will result in improved efficiency and subsequent increases in equity value.