



Sneak Peek 2010

Thomas F. Cooley On The Global Economy

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The Big Trend

Demographics. Often overlooked, but they are at the heart of the fiscal and social problems that are going to confront the mature economies and the emerging markets. In China, for example, the median age of the population is expected to increase by nearly 11 years between now and the year 2050, to roughly 45 years, and the population growth rate there will turn negative in the next several years. The picture is similar in Japan, Korea, and Eastern and Western Europe. The demographic picture for the U.S., in contrast, is more buoyant. The life-cycle decisions of consumers have an impact on many economic issues, and understanding these will become a much greater priority.

The Unconventional Wisdom

In the U.S., health care reform will pass and life will continue much as it has with an important exception: There will be a wave of cost-saving innovation as people realize that there is money--lots--to be made in bringing modern technology to health care management and systems. Insurance companies, health care providers and hospitals will be forced to improve their management systems.

The Misplaced Assumption

That we have figured out what caused the financial crisis and will fix it with a coordinated response by the G-20 nations. There is a pretty deep understanding of the root causes of the crisis but it isn't executive compensation, sub-prime mortgages, or Alan Greenspan, the three favorite targets for blame. The one thing we can be confident of is that sometime, somewhere, there will be another crisis. Coordinated international policy responses are a pipe dream. The one example we have in the banking sector are the Basel II Agreements, which took years to negotiate and failed almost immediately.

The Watch List

The U.S. Senate. How it acts on financial reform could determine the course of our banking system for years to come.

Hulu. It will change the way people watch television.

Solar Energy Stocks. They're overvalued.

Health care stocks. They're undervalued.

Lady Gaga. She's the entrepreneur of the year.

E-readers. An explosion in use will have a huge impact on publishing.

The Bold Prediction

The Obama administration will raise taxes on everyone--not just those earning more than \$250,000. Why? We are on an unsustainable fiscal path, with the highest deficit-to-GDP ratio since World War II. There are only three ways to address it: spend less (probability zero); grow the economy fast enough to put us on a sustainable path (probability zero); or raise taxes (probability high). The government can't raise enough just by taxing the rich or corporations, so it will use that hidden trick known as the value added tax. It will start low but will turn into an ATM machine for politicians with plans.

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