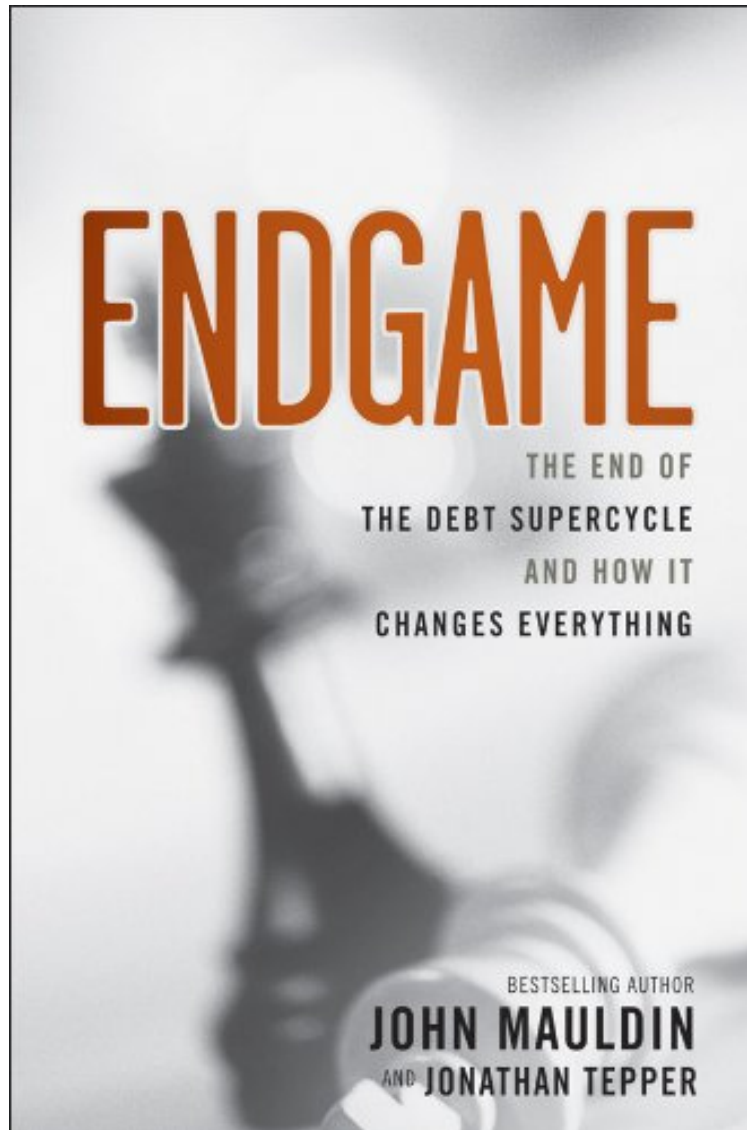


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# Endgame: The End of the Debt SuperCycle and How It Changes Everything

*John Mauldin, Jonathan Tepper*

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**John Mauldin, Jonathan Tepper : Endgame: The End of the Debt SuperCycle and How It Changes Everything** before purchasing it in order to gage whether or not it would be worth my time, and all praised Endgame: The End of the Debt SuperCycle and How It Changes Everything:

427 of 440 people found the following review helpful. Endgame: Road to Perdition or Rejuvenation?By Serge J. Van SteenkisteJohn Mauldin and Jonathan Tepper clearly set the stage for how to invest and profit from what they call the "Endgame." The Endgame follows the "Debt Supercycle." The debt supercycle refers to the unsustainable rise of debt

over a period of 60+ years mostly in the private sector of the developed world that culminated into the global financial crisis that erupted in 2007-08 (pp. 8; 12; 15; 25; 40; 108). The endgame points to a crisis in the public sector debt, which (will) occur when (Western) governments run into the limits of their ability to borrow money at today's low rates (p. 25). The transition from the debt supercycle to the endgame is characterized, for the most part, by a transfer of debt, not an extinction of it, from the private sector to the public sector (pp. 24-25). Western governments and central banks have run large fiscal deficits and printed massive amounts of money to reduce the impact of the multiyear balance sheet recession in the private sector (pp. 8; 13; 24-25; 29; 58-63; 98-104; 136-141; 155; 158; 172-174; 227; 230; 252; 267-272). To their credit, Mauldin and Tepper clearly explain why deficits matter. Unfortunately, countries like the United States have mostly not run surplus and pay down debt in good times so that there is room for a policy response in bad times (pp. 54-57; 178-180; 188-196; 224; 235; 249). Unless central banks print money, the financing of large government debt runs the risk of crowding out business investment that relies on savings of consumers and businesses (pp. 53; 121-122). Mauldin and Tepper are not surprised at all about this policy of kicking the proverbial can down the road that will result into greater systemic instability with more macroeconomic volatility and greater variability of inflation rates (pp. 29; 34-44; 73-89; 154; 240; 254; 271). Most politicians in the developed economies have a hard time to address any long-term problem because most voters prefer to opt out of a long-term gain if a short-term pain is required (pp. 3; 7; 118; 129; 182; 188; 218; 238). The authors warn public decision-makers and their respective electorate that the longer hard decisions are put off, the more pain their country, state, or city will have to ultimately endure (pp. 6; 89; 92; 100; 155-156; 219; 226; 239; 245; 253-259). Like the private sector, the public sector will be held accountable for trying to borrow its way out of a debt crisis (pp. 41; 55-56; 100; 259). Mauldin and Tepper recommend that: 1. Americans reduce their personal leverage and save more. Policy makers have relied on debt and income transfers to mask the fact that low-end wages have become too high under the relentless pressure of globalization; 2. The U.S. economy shift from consumption, real estate, and finance toward manufacturing to start addressing the structural decline in its civilian participation rate. Germany has been thriving because the world has been buying its goods; 3. The United States put in place more tax policies to encourage new businesses and therefore new jobs; 4. The United States restructure Medicare, Medicaid, and Social Security thoroughly. No reasonably foreseeable rate of economic growth will overcome the structural deficit associated with these three major programs. Otherwise, a substantial value added tax will be needed to cover the cost and result into even slower growth; 5. The United States, its states, and its cities revisit the total remuneration package of their respective workforce. The status quo is unsustainable; 6. The United States take a cue from Canada by giving a higher priority to legal immigrants with degrees and money for a few years; 7. The U.S. economy reduce its over-dependence on foreign oil through steep taxation on gasoline to make alternatives more competitive than they are today. The tax burden in the United States is low compared to other countries around the world; 8. The United States use some of the proceeds, of a significantly higher taxation, on gasoline to fix its infrastructure, which is badly in need of repair; 9. The United States get serious about the much-touted nuclear renaissance by approving the building of a large number of new reactors (pp. 67-69; 85-86; 88-89; 118-119; 124-125; 137; 160; 167-169; 181-214; 243-244). Mauldin and Tepper point out that there is no way to know in advance when bondholders will suddenly lose confidence in the ability of a government to pay its debt, even if that debt is denominated in a currency that the government can print (pp. 13-14; 32; 54-55; 57; 94-98; 125-127; 186-188; 259; 263; 279-281). When countries have too much debt, they usually inflate away excessive debt. Devaluation and default on debt are the two other options available to over-indebted countries (pp. 25; 110; 122-125; 128-131; 158; 180; 200; 229). To compensate for this higher perceived risk, bondholders will press for a rise in interest rates, which will further debilitate the capacity of a country to refund its debt (pp. 55; 105; 123; 231). A program of austerity becomes a necessity to bring the debt back to acceptable levels and to reinvigorate the confidence of bondholders (pp. 12; 154). Without the precarious and fickle confidence of bondholders, the ability to roll over (large) debt, especially short-term one, or borrow new debt at affordable rates, crumbles concomitantly with the liquidity of the financial markets and the economy (pp. 94; 96; 278). Although Mauldin and Tepper do not offer any practical investment advice, they give a non-exhaustive list of possible investments to consider if one believes in either deflation and/or inflation (pp. 284-292; 294-296). The authors believe that deflation will precede inflation (pp. 133; 295). Mauldin and Tepper have a low confidence in the ability of Western central banks, including the U.S. Federal Reserve, to appropriately transition their respective economies from a deflationary era to one of controlled inflation. Therefore, timing will be critical to capitalize on an era of increasing volatility (p. 296).

37 of 38 people found the following review helpful. The unlucky country? By Malcolm G Fletcher As a rusty economist (BA(Econ) 1963) I was looking forward to reading this book on a very important subject, and hoped to learn something. Irritating name dropping, flippancy and a generally condescending tone aside, numerous pages are apparently written for economic dummies. On the one hand (deflation) and on the other hand (inflation) is fine, but the few real predictions seem to be influenced by some data mining. US: Nowhere in the book can I see reference to the 'exorbitant privilege' enjoyed by the US in issuing the World's reserve currency. How this plays out against US profligacy is perhaps a topic for another book, but it is highly relevant to the subject at hand. Japan: We know of the high indebtedness of the government and the ageing population. But what about the high level of reserves and Japanese savings? The penultimate paragraph on

page 259 merely makes mention that these exist. Australia: I lived in Australia from 1970-1994 so I zeroed in on chapter 14. Selecting the facts to suit a case or assembling facts to make a case? There are sins of omission and of commission. Nowhere is it stated that Australia has the highest interest rates in the developed World; 4.25% p.a. after a 0.25% cut this December. Consumer debt as a percentage of GDP is very high but Australia's savings rate at 10% is now the second highest in the developed World after Germany, and unlike elsewhere savers have an incentive to save, not being punished by rates close to zero. Australia has always encouraged home ownership, without engaging in the egregious practices of the GSE's in the US. Mortgage interest on owner occupied homes is not tax deductible. Where in Australia are there the acres and acres of newly built unoccupied homes and useless public infrastructure projects (eg: Don Quijote airport in Spain) that existed in Ireland and Spain BEFORE their busts? Legal immigration has been encouraged, unemployment at around 5% is relatively low. The fact that Hong Kong appears next to Australia in The Economist table of property 'overvaluation' (sloppily, no date on the chart and no proper reference to the criteria used) is no coincidence. Restricted land supply and mainland Chinese demand drive the market in Hong Kong. In Australia's case Asian demand and in particular Chinese demand is a significant driver of the market. A slow down in China will hurt Australia's economy. A politically stable democracy, investor friendly, resource rich and relatively free of corruption (how many expanding Asian countries can meet those criteria?) Australia will remain a hard asset haven, and real estate prices will continue to reflect those facts. To bracket Australia with Ireland is ridiculous. The property market in Ireland (part of a small island off the coast of Europe, in a Euro straightjacket), bears no resemblance to that of a whole Continent with a freely floating currency. The authors call Australia's market a house of cards. I'd say they have dealt Australia a very bad hand indeed! In summary, the book was a disappointment but at least it stimulated my critical faculties and showed yet again that with the right statistics one can prove almost any case! 8 of 8 people found the following review helpful. Muddle Thru The Debt Supercycle - Maybe By James East A few recommendations below: But for author and money manager John Mauldin wrote a fine book published in 2004 - Bull's Eye Investing, which he termed/predicted that the upcoming decade would be our 'muddle thru' years. Muddle thru in that market returns would have a revision to the mean and not be that much, or what we starting to get used to. That prognostication turned out to be very true. This book on the other hand read like a rushed production effort and centered for only an audience of policy makers. I can not count the number of times some type of governmental institution or governmental representative is quoted. A few quotes here and there are fine to make your point, but this was just a little too much when sometimes a full page is a quoted passage. We get it; we and other countries have too much debt. My takeaway is that the effort is average and not too original like the previous effort and you probably will not learn much more if you are aware of the premise. However, if you are somewhat to the issues then the discussions on deflation, inflation, and hyperinflation are worth the effort. Bull's Eye Investing: Targeting Real Returns in a Smoke and Mirrors Market by John Maudlin The Age of Deleveraging: Investment Strategies for a Decade of Slow Growth and Deflation by Gary Shilling Mr. Market Miscalculates: The Bubble Years and Beyond by James Grant

Greece isn't the only country drowning in debt. The Debt Supercycle; when the easily managed, decades-long growth of debt results in a massive sovereign debt and credit crisis; is affecting developed countries around the world, including the United States. For these countries, there are only two options, and neither is good; restructure the debt or reduce it through austerity measures. Endgame details the Debt Supercycle and the sovereign debt crisis, and shows that, while there are no good choices, the worst choice would be to ignore the deleveraging resulting from the credit crisis. The book: Reveals why the world economy is in for an extended period of sluggish growth, high unemployment, and volatile markets punctuated by persistent recessions

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