THE JEROME LEVY FORECASTING CENTER

DATE: March 29, 2011

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FOR IMMEDIATE RELEASE

IN WAKE OF EARTHQUAKE, NO REASON TO QUESTION JAPAN'S CREDITWORTHINESS

NEW YORK, March 29 – Credit rating agencies had already downgraded Japan in January, and the recent earthquake has spurred many people to further question the Japanese government's creditworthiness; still, *"the Japanese government remains in no danger of default,"* according to economist Robert C. King, writing in the current *Levy Forecast*, the nation's oldest newsletter devoted to economic analysis.

While acknowledging that rebuilding and the care of earthquake victims would likely cause Japan's government deficit to increase, Mr. King at the independent Jerome Levy Forecasting Center (www.levyforecast.com) wrote, *"Japan's public debt is less than widely reported, and is manageable at current or even much greater levels."*

Specifically, he said, there are several reasons why the widely-cited ratio of gross general government debt to GDP – of roughly 200% -- *"greatly overstates the magnitude of Japan's public debt burden."* A measure comparable to the U.S. net public debt ratio is somewhere in the range of 100% to 140% of GDP for Japan.

Mr. King noted that in Japan, as in the United States, *"a high debt ratio is not the determining factor for default."* The Levy economist pointed out that Japan possesses (i) debt denominated in a currency that it controls, (ii) a large, liquid domestic market for government debt, and (iii) a stable government with an established history of effective tax collection. These characteristics, among others, means that Japan can carry much more public debt than countries such as Ireland or Greece without dire consequences.

"The government debt that has contained Japan's depression for the past two decades will not be a constraint on private sector growth," said Mr. King. *"In fact, with private balance sheets now the healthiest in decades, rebuilding from disaster—via increased stimulus from public investment as well as a renewed sense of national unity and purpose—could eventually be the catalyst for a strong and lasting economic recovery in Japan"*

About The Jerome Levy Forecasting Center

The Jerome Levy Forecasting Center LLC – the world leader in applying the macroeconomic profits perspective to economic analysis and forecasting – conducts cutting edge economic research and offers consulting services to its clients. The goal of the Levy Forecasting Center is to improve its clients' business and investment performance by providing them with powerful insights into economic risks and opportunities – insights that are difficult or even impossible to achieve with conventional approaches to macroeconomic analysis. Additional information may be found at www.levyforecast.com.