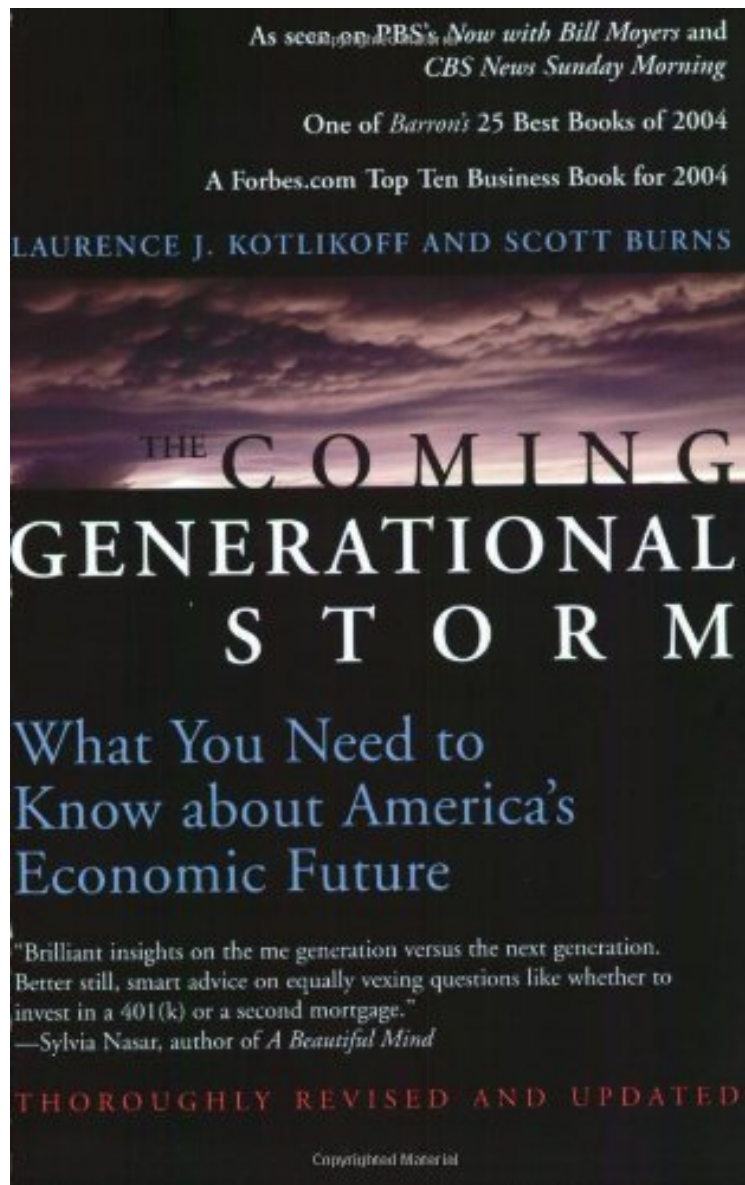


[Download] The Coming Generational Storm: What You Need to Know about America's Economic Future (MIT Press)

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Laurence J. Kotlikoff, Scott Burns

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Laurence J. Kotlikoff, Scott Burns : The Coming Generational Storm: What You Need to Know about America's Economic Future (MIT Press) before purchasing it in order to gage whether or not it would be worth my time, and all praised The Coming Generational Storm: What You Need to Know about America's Economic Future (MIT Press):

2 of 2 people found the following review helpful. The disastrous fiscal gap; outdated numbers but information just as urgent. By Thomas Wikman

The event of scientific and technological progress and the industrial revolution brought wealth and longer and healthier lives to most people on the planet. However, the good this brought also presented us with new challenges. As people stopped dying like flies we got a population explosion. This meant that we had a new threat, especially to the planet. Luckily the population explosion is subsiding because people have fewer kids. However, this new trend has wrought another threat, a demographic shift away from a young to an old population. Not only are there fewer kids and fewer young people in comparison to old people, but old people are living much longer, retiring earlier, and costing a lot more. The retired population has gone from a few percent to close to 15% and is quickly turning into the majority. What many people don't realize is that no matter how much money has been saved for retirement the products that you buy for that money in the future must still be produced by somebody. One way or another, the younger working population will have to support the booming elderly population. In addition your pay roll taxes are not invested and they are not truly yours, it is just a promise that future generations will support you. Those future generations has not had any say on the matter and should not be expected to pick up the tab without protest as it grows unmanageable. It is not comforting to know that Social security and Medicare is already more about half of the US budget, and it is growing. The fiscal gap is the estimated future unfunded liabilities. The Congressional Budget Office calculates that based on a 75 year window. When this book was written that stood at 68 Trillion dollars, 49 Trillion dollars coming from Medicare alone. The latest numbers from the Congressional Budget Office sets the fiscal gap well above 200 Trillion dollars, which is \$670,000 per person. You can raise taxes to pay for Medicare and Social Security but no matter how much you raise taxes you can never pay programs without first reforming these programs. If we do not reform Social Security and Medicare, future generations will sometime mid century have to pay an 80% tax just to support Social Security and Medicare, without getting any government services in return. This isn't likely to happen. The refusal of future younger generations to support a huge unproductive older generation is what the author refers to as the coming generational storm. The author also describes strange quirks, injustices and other problems with the current system and then he proposes a workable solution for Social Security and Medicare. Unlike the natural sciences Economics is by nature political but Laurence Kotlikoff is not a leftwing or a rightwing ideologue. He takes on leftwing myths regarding regressive taxes (that are not) and he explains why he thinks Supply Side Economics is snake oil. Overall I think this book was an eye opener and it successfully explains an issue that is widely misunderstood and confusing to so many. The book is based on solid research, computer simulations, basic accounting, it has a realistic outlook, and the book includes many references. It is not written in a "hyped" or exaggerated way, even though it is difficult not to get excited about the topic (one way or another). The figures and the statistics in the book are now badly outdated, but core thesis and the message has only become more urgent since the book was written. Despite its age I recommend this book.

19 of 19 people found the following review helpful. A very important book, though parts are not easy to read. By Social sciences professor

The Coming Generational Storm is an important book about a critical long-term problem facing the U.S. government, which spineless politicians in both parties choose to ignore at great expense to future generations. The problem arises because Social Security, Medicare, and Medicaid were not designed to fiscally withstand significant demographic changes that are happening in the 21st century. It's well known that the population of the U.S. (and most industrialized countries) is aging. In this book, Kotlikoff and Burns document this more thoroughly than any other book or article I've seen, and they make it very interesting and compelling. They then discuss how the aging population will stress these three big entitlement programs. An ever-increasing fraction of the population will be drawing funds from these programs, while a decreasing fraction of the population will be working and supporting these programs with their tax dollars. As a result, if you add up all of the money that the government has promised to pay people through these programs and compare that to all of the tax revenue the government will receive to support these programs, you get a deficit over the long run of \$51 trillion. To put that number into perspective, note that it is roughly equal to the sum of all the income earned by everyone in the United States over the past 5 years!!! Kotlikoff and Burns explain what the government should do NOW to start fixing this problem, and it involves BIG sacrifices. (They list the options, and call their list "the menu of pain.") They realistically note, however, that politicians are very short-sighted, always trying to make things look as good as possible before the next election, and have strong incentives to hide the existence of this problem, leaving it for the next generation of politicians. The costs of dealing with this problem will increase exponentially, the longer we wait. The authors explain the economic problems that are virtually certain to occur if the politicians never muster the backbone to make the tough choices necessary to fix this horrible problem. The authors offer their own proposals for fundamentally reforming Social Security and Medicare/Medicaid to make the solvency of these programs far less vulnerable to demographic changes. Some of their proposals are controversial, but the fact is we must do SOMETHING, and nobody else is making any serious proposals. The book includes a chapter with careful advice on how to prepare yourself (how to protect your wealth and secure your future living standard) for the coming fiscal storm. The book is based on lots of sound research by an economist (one of the book's two authors) who is very widely respected as one of the top two or three leading authorities in the world on this issue, as well as other research done by mainstream economists published in the leading academic and policy journals. All of the work cited in the book is

either done by disinterested researchers (those whose work is not supported by any corporation or other body that has a stake in the outcome of the research) or based on the government's own statistics (in cases where those numbers are the most likely to be credible and accurate). I am an economics professor and I have studied these issues in some depth, yet I learned a LOT of interesting and useful information from this book and I'm sure you will too. But you don't have to be an economics professor - or even an economics major - to understand this book. The writing style is very accessible. However, the book nonetheless is not easy to read. While the authors give a definition or explanation for each term and concept they use, I think the book will be a bit of a tough read for most people who have not taken a college-level intro to economics or intro to finance course. But don't let that stop you: this issue will affect everyone (especially people under 55 or so; older people won't be around when the poo really hits the fan). This book explains the issue and all of its ramifications in a (mostly) very clear way, and makes it interesting and compelling. It's not a happy book, but you will learn a lot and you will be very, very glad you read it. Highly recommended. 0 of 0 people found the following review helpful. Conventional myths explored and exploded By Guy R. Porter Kotlikoff's book stands out as an example of well researched material presented clearly. My only criticism would be that there is not a revised edition with the latest figures, especially in the current environment. He turns conventional "wisdom" on its head with an analysis of the tax effects of a two earner family (marginal lifetime tax rates over 100%) and a great look at the questionable benefits of the 401k plan. He gives a clear analysis of the reduction in real spending power that some tax deferred savers get when they use the savings plans pushed on the public by the financial press. Definitely a read worth your time.

In 2030, as 77 million baby boomers hobble into old age, walkers will outnumber strollers; there will be twice as many retirees as there are today but only 18 percent more workers. How will America handle this demographic overload? How will Social Security and Medicare function with fewer working taxpayers to support these programs? According to Laurence Kotlikoff and Scott Burns, if our government continues on the course it has set, we'll see skyrocketing tax rates, drastically lower retirement and health benefits, high inflation, a rapidly depreciating dollar, unemployment, and political instability. The government has lost its compass, say Kotlikoff and Burns, and the current administration is heading straight into the coming generational storm. But don't panic. To solve a problem you must first understand it. Kotlikoff and Burns take us on a guided tour of our generational imbalance, first introducing us to the baby boomers -- their long retirement years and "the protracted delay in their departure to the next world." Then there's the "fiscal child abuse" that will double the taxes paid by the next generation. There's also the "deficit delusion" of the under-reported national debt. And none of this, they say, will be solved by any of the popularly touted remedies: cutting taxes, technological progress, immigration, foreign investment, or the elimination of wasteful government spending. So how can the United States avoid this demographic/fiscal collision? Kotlikoff and Burns propose bold new policies, including meaningful reforms of Social Security, and Medicare. Their proposals are simple, straightforward, and geared to attract support from both political parties. But just in case politicians won't take the political risk to chart a new direction, Kotlikoff and Burns also offer a "life jacket" -- guidelines for individuals to protect their financial health and retirement. This paperback edition of *The Coming Generational Storm* has been revised and updated and includes a new foreword by the authors.

As someone who has written extensively on global aging and its profound implications, I was delighted to read *The Coming Generational Storm*. It is an extremely important and original contribution. (Peter G. Peterson, Chairman, The Blackstone Group, and author of *Gray Dawn: How the Coming Age Wave Will Transform America -- And The World*) Among academic experts, Larry Kotlikoff has earned the title 'Mr. Generational Accounting.' His unfuzzy arithmetic decisively rebuts the Bush tax cuts, which are based on the delusion that $5 - 4 = 6$, not 1. Read and judge for yourself the specter of our future: too many retirees dependent on too few working-age people. Fiscal imprudence now mandates broken promises later. (Paul A. Samuelson, MIT, Nobel Laureate in Economic Sciences (1970)) There's a lot of frivolous criticism of our politicians, but this book hits the mark, convincingly documenting their biggest sin: the failure to account for the magnitude of a huge government deficit crisis. The accounting scandals of Enron, WorldCom, and Parmalat pale by comparison. Read this book so you can start preparing for much higher taxes in the future for you and your children. (Robert J. Shiller, Yale University, author of *Irrational Exuberance* and *The New Financial Order*) Between a rock and a hard place. We must all too soon realize that we want to spend more on transfers (Social Security, Medicare, Medicaid) than we are willing to pay in taxes. And the prospective \$44 trillion shortfall is, almost literally, beyond ordinary comprehension. Documented diagnosis, along with suggested reforms, are first steps toward constructive dialogue. (James M. Buchanan, Distinguished Professor Emeritus, George Mason University and Virginia Polytechnic Institute, Nobel Laureate in Economic Sciences (1986)) No economist has thought more clearly or spoken more resolutely about our long-term fiscal challenges than Larry Kotlikoff. In plain talk backed by economic rigor and the powerful models that he and his colleagues have pioneered, Kotlikoff and coauthor Scott Burns expose the shoddy thinking and false premises that lie at the heart of U.S. fiscal policy and that risk the economic well-being of future generations. They show how reckless George W. Bush has been with our economic

future, but also show that the evasions from fiscal honesty extend well beyond the irresponsibility of this administration. And they offer solutions that are clear, bold, and controversial. You may not accept them in full, but you will understand better than ever before the real choices that we face. This book is a must-read for a country adrift in fiscal shortsightedness and political spin. (Jeffrey D. Sachs, Director of the Earth Institute, Columbia University)

Kotlikoff has been one of the pioneers of the new economics of generational accounting. If anyone foresaw the deterioration of the U.S. government's fiscal health, he did. Now, with journalist Scott Burns, he has written a book that spells out, in crystal-clear layman's terms, the disturbing truth about the rising tide of red ink. (Niall Ferguson, Stern School of Business, New York University, and author of *Empire and The Cash Nexus*) If Stephen King wrote about economics it would look like this. Kotlikoff and Burns have gazed into our future and seen a nightmare. The authors describe that nightmare vividly and identify why our elected officials on both sides of the political aisle are too cowardly to save us. Every U.S. citizen should read and digest this book before it is too late. (Kevin A. Hassett, Director of Economic Policy Studies, American Enterprise Institute, and coauthor of *Dow 36,000*)...filled with advice on protecting what you've got and making it grow before and during retirement. (Chris Tucker *Dallas Morning News*)

The Coming Generational Storm...lays out in easy-to-understand prose why Social Security and Medicare need a comprehensive overhaul. (Gregory D. Hess *Los Angeles Times*)...Kotlikoff and Burns proffer plenty of evidence to back up their claims. (Anne Wagner *National Journal*) The policy solutions of Kotlikoff and Burns are specific and ingenious.... (Michael Mandel *Business Week*)...[A] serious attempt to look at a problem that most people are trying to ignore. (Alan Beattie *The Financial Times*)...excellent and scary... (Nicholas Kristof *The New York Times*) Having painted a fiscal picture as awful as 'Guernica,' the authors unveil two bold plans...[An] engaging book. (Todd G. Buchholz *The Wall Street Journal*)

The Coming Generational Storm lays out the problems in understandable language and compelling detail. (*The Washington Post*) This is a book any serious investor should absorb and act upon. (Jonathan Chevreau *National Post*) This is a sobering look at an impending crisis with implications for all of us. Recommended for all collections. (*Library Journal*) This may be the year's most important book. Essential. (CHOICE)

The Coming Generational Storm is one of the most important (and refreshingly irreverent) policy analyses of recent years. Laurence Kotlikoff and Scott Burns ask what will happen to our economy and way of life when the baby boomers meet the current Medicare and Social Security systems. Their answers, using the innovative techniques of 'generational accounting' developed by Kotlikoff and others, demonstrate how close we are to a genuine fiscal precipice and the hard landing that awaits us. For our current presidential aspirants, the authors also provide some provocative ideas for how to ameliorate the damage this storm will certainly leave in its wake. (Robert J. Shapiro, Managing Director and Founding Partner, Sonecon, LLC, Senior Fellow of the Brookings Institution and the Progressive Policy Institute, and former Under Secretary of Commerce for Economic Affairs)

I lie awake nights worrying about the fiscal crisis described in *The Coming Generational Storm*. This is by far the single most important problem in US economic policy. Every American should read this fabulous book. (George Akerlof, Koshland Professor of Economics, University of California, Berkeley, Nobel Laureate in Economic Sciences (2001))

The Coming Generational Storm is a well written summary of an impressive and important body of carefully documented research. The book demonstrates clearly the folly of existing tax and transfer policies in the face of the impending retirement of the baby boom generation. Anyone interested in the future economic viability of American society and the economic problems we are bequeathing to our children should read this study. (James J. Heckman, Henry Schultz Distinguished Service Professor of Economics, The University of Chicago, Nobel Laureate in Economic Sciences (2000))

The Coming Generational Storm documents in frightening detail America's reckless fiscal trajectory as it barrels toward bankruptcy. The need to revamp Medicare and Social Security is urgent. This book is a must-read for anyone who cares about our nation's future. (Janet Yellen, Haas School of Business, University of California, Berkeley, Member, Federal Reserve Board (1994-1997), and Chair, Council of Economic Advisers (1997-1999))

Kotlikoff and Burns document and analyze the most serious issue facing the American government today: the looming intergenerational conflict created by its gross failure to develop a consistent plan to fund and manage entitlements for the elderly, the cost of which will explode when the baby boom generation retires. This book is essential reading for those concerned about their own future and their children's'. (Daniel McFadden, Cox Professor of Economics, University of California, Berkeley, Nobel Laureate in Economic Sciences (2000))

Brilliant insights on the me generation vs. the next generation. Better still, smart advice on equally vexing questions like whether to invest in a 401(k) or a second mortgage. (Sylvia Nasar, John S. and James L. Knight Professor of Business Journalism, Columbia University, author of *A Beautiful Mind*)

The clarity of the analysis, the range, timeliness, and importance of the issues covered, and the authors' lively, provocative writing style make this book ideal for use in both introductory and higher-level classes. (Robert Whaples, Department of Economics, Wake Forest University)

From the Inside Flap"*The Coming Generational Storm* is one of the most important (and refreshingly irreverent) policy analyses of recent years. Laurence Kotlikoff and Scott Burns ask what will happen to our economy and way of life when the baby boomers meet the current Medicare and Social Security systems. Their answers, using the innovative techniques of 'generational accounting' developed by Kotlikoff and others, demonstrate how close we are to a genuine fiscal precipice and the hard landing that awaits us. For our current presidential aspirants, the authors also provide some

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Now, with journalist Scott Burns, he has written a book that spells out, in crystal-clear layman's terms, the disturbing truth about the rising tide of red ink." --Niall Ferguson, Stern School of Business, New York University, and author of *Empire* and *The Cash Nexus* "I lie awake nights worrying about the fiscal crisis described in *The Coming Generational Storm*. This is by far the single most important problem in US economic policy. Every American should read this fabulous book." --George Akerlof, Koshland Professor of Economics, University of California, Berkeley, Nobel Laureate in Economic Sciences (2001) "*The Coming Generational Storm* is a well written summary of an impressive and important body of carefully documented research. The book demonstrates clearly the folly of existing tax and transfer policies in the face of the impending retirement of the baby boom generation. 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Peterson, Chairman, The Blackstone Group, and author of *Gray Dawn: How the Coming Age Wave Will Transform America--And The World* "Kotlikoff and Burns document and analyze the most serious issue facing the American government today: the looming intergenerational conflict created by its gross failure to develop a consistent plan to fund and manage entitlements for the elderly, the cost of which will explode when the baby boom generation retires. This book is essential reading for those concerned about their own future and their children's." --Daniel McFadden, Cox Professor of Economics, University of California, Berkeley, Nobel Laureate in Economic Sciences (2000) "Brilliant insights on the me generation vs. the next generation. Better still, smart advice on equally vexing questions like whether to invest in a 401(k) or a second mortgage." --Sylvia Nasar, John S. and James L. Knight Professor of Business Journalism, Columbia University, author of *A Beautiful Mind* "No economist has thought more clearly or spoken more resolutely about our long-term fiscal challenges than Larry Kotlikoff. In plain talk backed by economic rigor and the powerful models that he and his colleagues have pioneered, Kotlikoff and co-author Scott Burns expose the shoddy thinking and false premises that lie at the heart of U.S. fiscal policy and that risk the economic well-being of future generations. They show how reckless George W. Bush has been with our economic future, but also show that the evasions from fiscal honesty extend well beyond the irresponsibility of this Administration. And they offer solutions that are clear, bold, and controversial. You may not accept them in full, but you will understand better than ever before the real choices that we face. This book is a must-read for a country adrift in fiscal shortsightedness and political spin." --Jeffrey D. Sachs, Director of the Earth Institute, Columbia University "If Stephen King wrote about economics it would look like this. Kotlikoff and Burns have gazed into our future and seen a nightmare. The authors describe that nightmare vividly and identify why our elected officials on both sides of the political aisle are too cowardly to save us. Every U.S. citizen should read and digest this book before it is too late." --Kevin A. Hassett, Director of Economic Policy Studies, American Enterprise Institute, and co-author of *Dow 36,000* "Between a rock and a hard place. We must all too soon realize that we want to spend more on transfers (Social Security, Medicare, Medicaid) than we are willing to pay in taxes. And the prospective \$44 trillion shortfall is, almost literally, beyond ordinary comprehension. Documented diagnosis, along with suggested reforms, are first steps toward constructive dialogue." --James M. Buchanan, Buchanan Center for Political Economy, George Mason University, Nobel Laureate in Economic Sciences (1986) "There's a lot of frivolous criticism of our politicians, but this book hits the mark, convincingly documenting their biggest sin: the failure to account for the magnitude of a huge government deficit crisis. The accounting scandals of Enron, WorldCom, and Parmalat pale by comparison. Read this book so you can start preparing for much higher taxes in the future for you and your children." --Robert J. Shiller, Stanley B. Resor Professor of Economics, Yale University, author of *Irrational Exuberance* and *The New Financial Order* About the Author Dallas Morning News personal finance columnist Scott Burns is nationally syndicated by Universal Press. His column can be read on the Web at www.scottburns.com and on MSN's MoneyCentral, one of the three largest

financial Web sites.