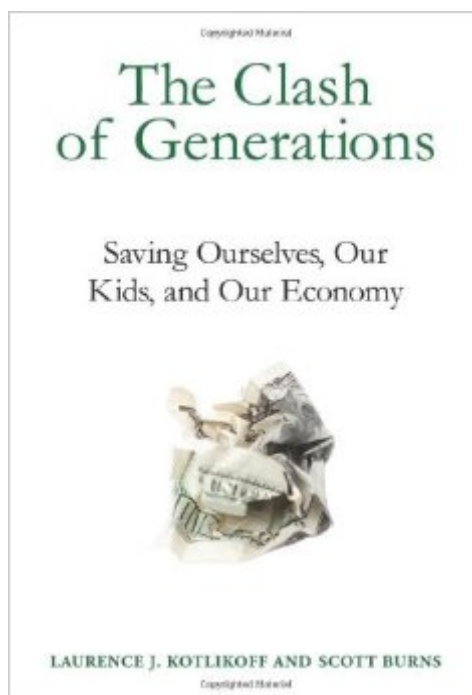


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The Clash Of Generations: Saving Ourselves, Our Kids, And Our Economy (MIT Press)



Synopsis

The United States is bankrupt, flat broke. Thanks to accounting that would make Enron blush, America's insolvency goes far beyond what our leaders are disclosing. The United States is a fiscal basket case, in worse shape than the notoriously bailed-out countries of Greece, Ireland, and others. How did this happen? In *The Clash of Generations*, experts Laurence Kotlikoff and Scott Burns document our six-decade, off-balance-sheet, unsustainable financing scheme. They explain how we have balanced our longer lives on the backs of our (relatively few) children. At the same time, we've been on a consumption spree, saving and investing less than nothing. And that's not to mention the evisceration of the middle class and a financial system that has proven it can't be trusted. Kotlikoff and Burns outline grassroots strategies for saving ourselves -- and especially our children -- from what could be a truly catastrophic financial collapse. Kotlikoff and Burns sounded the alarm in their widely acclaimed *The Coming Generational Storm*, but politicians didn't listen. Now the need for action is even more urgent. It's up to us to demand radical reform of our tax system, our healthcare system, and our Social Security system, and to insist on better paths to investment return than those provided by Wall Street (mis)managers. Kotlikoff and Burns's "Purple Plans" (so called because they will appeal to both Republicans and Democrats) have been endorsed by a who's who of economists and offer a new way forward; and their revolutionary investment strategy for individuals replaces the idea of financial capital with "life decision capital." Of course, we won't be doing all this just for ourselves. We need to fix America's fiscal mess before our kids inherit it. https://www.youtube.com/watch?v=IMKw76lBn0k&feature=youtube_gdata_player

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Customer Reviews

"In taking from the young and giving to the old, year after year, decade after decade, in ever larger sums, Uncle Sam has, as indicated, run a massive Ponzi scheme. And he has sold his chain letter to the young with reassuring words that a Bernie Madoff might use: 'Not to worry, Every dollar you hand over now in 'taxes' (wink, wink) will be repaid many times over when you hit retirement and collect the terrific benefits I've promised you.'"This quotation from page 29 of Laurence J. Kotlikoff and Scott Burns incisive new book "The Clash of Generations: Saving Ourselves, Our Kids and Our Economy" neatly and succinctly sums up the dire financial crisis we are facing in this country. For those twentysomethings who are just entering the workaday world the patently irresponsible fiscal policies promulgated by the federal government at the behest of older folks over the past six decades are going to have predictable and devastating consequences.....unless we change course. Authors Kotlikoff and Burns know a little something about this subject. They sounded the alarm in their 2005 book "The Coming Generational Storm". However, our leaders in Washington failed to take heed. Now in 2012 the authors are back with a new offering that explains in painful detail how we got here and goes on to present a thoughtful four-point plan to help us get out of this mess. Trust me this is essential reading for anyone who is concerned about the solvency of our nation. When Social Security was created by FDR during the Great Depression the idea was to take cash from young workers too scared to spend it and give it to old people who had to spend it to survive.

This book covers three themes: 1) a fiscal analysis of the US; 2) a set of related policy recommendations; and 3) financial planning to survive the prospective challenging times. In summary, the fiscal analysis is absurd. The policy recommendations are often quite all right. And, the financial planning is outstanding. Kotlikoff (the main author) does not have a good handle on macroeconomics (poor fiscal analysis). But, the more he drills down to the individual level (financial planning) the more he excels. Kotlikoff's assessment of the US fiscal problems border on the absurd. He advances that all familiar fiscal measurements like Budget Deficit/GDP or Debt/GDP are completely wrong. And, that the only representative fiscal measure is his own construct: the US Fiscal Gap which he currently calculates at \$211 trillion. Kotlikoff artificially boosts his \$211 trillion Fiscal Gap in several ways:... First, he relies on a worst case scenario: the CBO alternative scenario. He wrongly dismisses the CBO baseline scenario as he thinks the latter freezes

government spending as if there were no economic growth and no inflation. This is incorrect. The CBO baseline scenario is reasonable and relies on credible economic assumptions of long term GDP growth, inflation, and commensurate increase in Government spending. However, it projects that current laws will be fully implemented. The CBO alternative scenario uses the same economic assumptions, but it assumes that current laws will be tweaked (Bush tax cuts will not expire, AMT to be indexed). Unsurprisingly, the CBO alternative scenario is unsustainable with a resulting skyrocketing US Debt/GDP ratio.... Second, he discounts future Budget Deficits by a surprisingly low discount rate of only 3%.

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