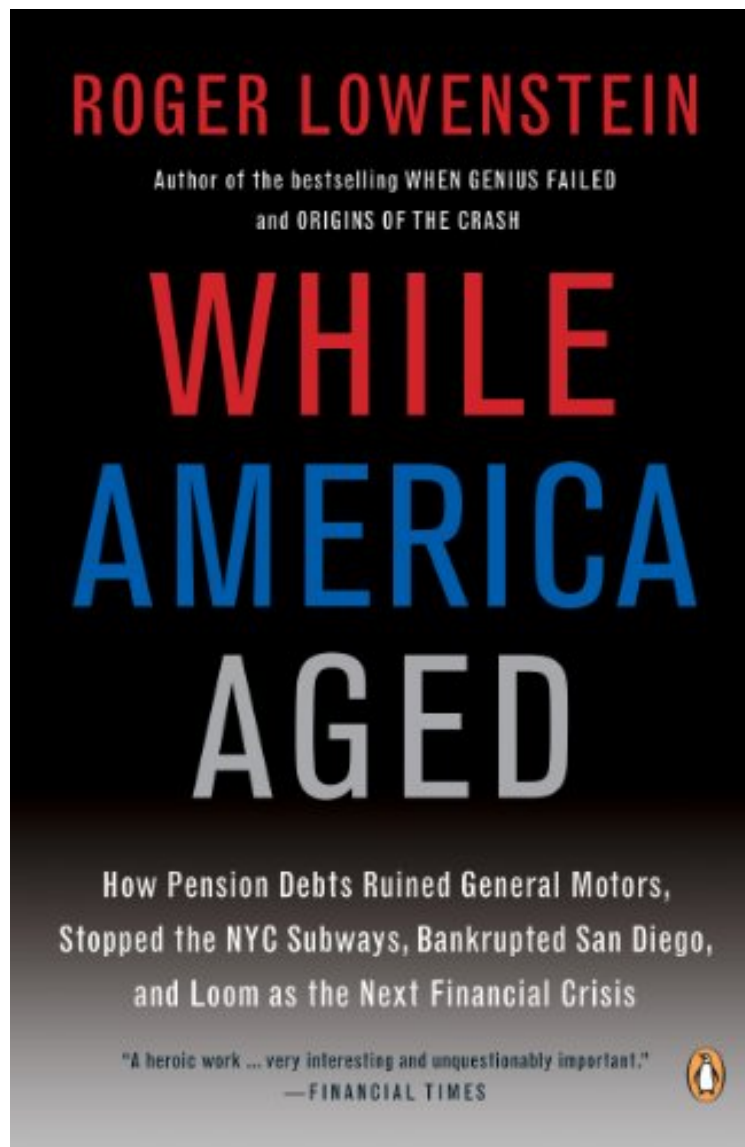


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While America Aged: How Pension Debts Ruined General Motors, Stopped the NYC Subways, Bankrupted San Diego, and Loom as the Next Financial Crisis

Roger Lowenstein

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Roger Lowenstein : While America Aged: How Pension Debts Ruined General Motors, Stopped the NYC Subways, Bankrupted San Diego, and Loom as the Next Financial Crisis before purchasing it in order to gage whether or not it would be worth my time, and all praised While America Aged: How Pension Debts Ruined General Motors, Stopped the NYC Subways, Bankrupted San Diego, and Loom as the Next Financial Crisis:

2 of 2 people found the following review helpful. Good big-picture view of an important topic--the aging of America. By Charles Lewis Sizemore, CF. You might recognize Roger Lowenstein's name. He is the author of *When Genius Failed*, the definitive history of the 1998 Long-Term Capital Management collapse. *While America Aged* is a good history of the pension crisis and would be a good compliment to Dora L. Costa's *The Evolution of Retirement*. The root of the problem is that the pension and health bills are paid by future generations but the benefits are enjoyed today by the current workers who receive payment, the current tax payers who temporarily dodge payment, and the current politicians that can take credit. This is a classic example of moral hazard in action. One of Lowenstein's key themes is that "retirement" is a relatively new concept. It was never considered a guaranteed "right" that all Americans are entitled to until very recently. In his historical recap, Lowenstein writes, "But in the United States, until very late in the nineteenth century, pensions were almost unheard of... Most people worked on farms or in small shops or mills. As they got older they didn't stop working, they simply worked a little less. If old age did catch up with them, they turned to their families for food and shelter. The 'problem' of old age was in any case not widespread.... Retirement was less one of life's standard passages, like adolescence or middle age, than it was an infrequent and brief preamble to the grave." So what was the impetus for the creation of "retirement"? "The man who tended a farm could gracefully age on the job; the factory worker couldn't. Shop stewards and department managers wanted the graybeards out, to make room for younger blood.... Pensions were created by companies that reckoned it to be in the corporate interest. They were a tool for managing labor, not an entitlement due to labor...." The transformation of retirement from a benefit to the company to a benefit for the worker was gradual, but it greatly accelerated during World War II. The government froze wages while still allowing firms to grant noncash benefits such as pensions and health insurance. The American private pension and health system was not really planned; it evolved based on labor market conditions from a bygone era mixed with muddled and ill-conceived government regulations. Yet because it has become the status quo, it is treated as somehow being sacrosanct and untouchable. But as Lowenstein writes, "...there is no reason for [pensions and] healthcare to be tied to the workplace (any more than there is for companies to provide schooling, shelter, or basic needs.) In any case, they can't afford it." One thing is certain: This problem is not going away. With the coming retirement of the Baby Boomers, pension and health funding at the corporate, city and state, and national levels will be the next major fiscal crisis for the United States.

0 of 0 people found the following review helpful. Fantastic book again by R. L. (Loved his "When Genius Failed" as well). In both books, especially this book, you can't help thinking it's fiction. Sadly it is not and in the case of U.S. pensions that is a frightening fact. If you are a pension plan participant you owe it to yourself to read this book, it may very well help you prepare for a more successful future.

1 of 1 people found the following review helpful. Good Historical Overview, Ending Tacked On. By Bjorn. Overall this book provides a useful summary of the challenges that Defined Benefit pensions have faced in the past few decades by concentrating on three case studies. The last chapter of the book was frankly a disappointment. The entire defined contribution/401(k) pension system was readily dismissed with minimal discussion. Lowenstein is certainly correct that the 401(k) was not really intended to become a primary retirement mechanism and that ERISA does not provide the same level of protection for DC plans as it does for DB plans. Beyond that, however, he provides no meaningful analysis of them. Retiree Medical plans/OPEBs could have also used somewhat more coverage. Lowenstein dips his toe in this subject but never really gets very far into it. When he returns to the concept of medical care, he presents a somewhat incongruous argument in favor of a direct public subsidy health system. While he presents it from the perspective of a voucher system, there seems to be almost no consideration of the very real prospect of government failure as he describes in the section on San Diego. The author's prescription for ERISA-like regulation of public sector pensions (presumably combined with economic basis pension accounting) is a very good one. Unfortunately, Lowenstein never addresses what is one of the more interesting questions of the pension accounting system- if the concept of deferral is eliminated by stricter funding regulations, would these entities have ever offered DB plans in the first place?

The retirement crisis facing America--and the road map for a way out--from The New York Times bestselling author of *Origins of the Crash*. In the last several decades, corporations and local governments made ruinous pension and healthcare promises to American workers. With these now coming due, they threaten to destroy twenty-first-century America's hopes for a comfortable retirement. With his trademark narrative panache, bestselling author Roger Lowenstein analyzes three fascinating case studies--General Motors, the New York City subway system, and the city of San Diego--each an object lesson and a compelling historical saga that illuminates how the pension crisis developed. Cumulative retirement deficits are approaching \$1 trillion, and Lowenstein warns that these are only the first. Retirement pensions will continue to be a critical issue as the country ages, and *While America Aged* is the urgent call to action and prescription for reform.

From Publishers Weekly. Reports on pension insecurity, union battles and financial instability are unsettling stuff. Which makes it all the more worthwhile that Michael McConohie reads Lowenstein's front-line report on pension squabbles in American urban outposts. McConohie, who sounds like NBC anchor Brian Williams with a bit more

gravel in his throat, renders the story of aging workers and how to support them with stern authority. If at times McConohie is so stentorian as to sound like he has been carved out of granite, he does a solid job of underscoring the seriousness of the problems that Lowenstein investigates. Listening to him is like taking in a particularly in-depth audio version of the nightly news. A Penguin hardcover (s, Mar. 17). Copyright copy; Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. From Booklist Lowenstein has previously written best-sellers on Warren Buffet, the 2000 stock market crash, and the demise of bond-trading firm Long-Term Capital Management. Here he tackles what could be the next looming crisis: the severe underfunding of pensions in both the private and public sectors. Although the implications are far-reaching for cities, states, and corporations across America, Lowenstein narrowed his focus on three massive pension failures: General Motors, the New York transit system, and the city of San Diego. In each case, underfunding, underestimation of promises made to retired workers, borrowing from the pension, and reliance on all-too-rosy predictions of stock-market gains were the causes of massive failure of the system. Lowenstein goes into great detail establishing the history and politics that went into the creation of these pension systems and further expounds on how their mismanagement brought down the whole system. Many businesses and governments will soon need to face up to the facts of their pension obligations and make some tough choices. --David Siegfried " Financial journalist Roger Lowenstein uses the stories of three deeply encumbered institutions . . . as examples not only of the way most individual Americans conduct their personal finances, but also of how the country as a whole has long lived beyond its means. . . . Gripping." -Phillip Longman, The Washington Post