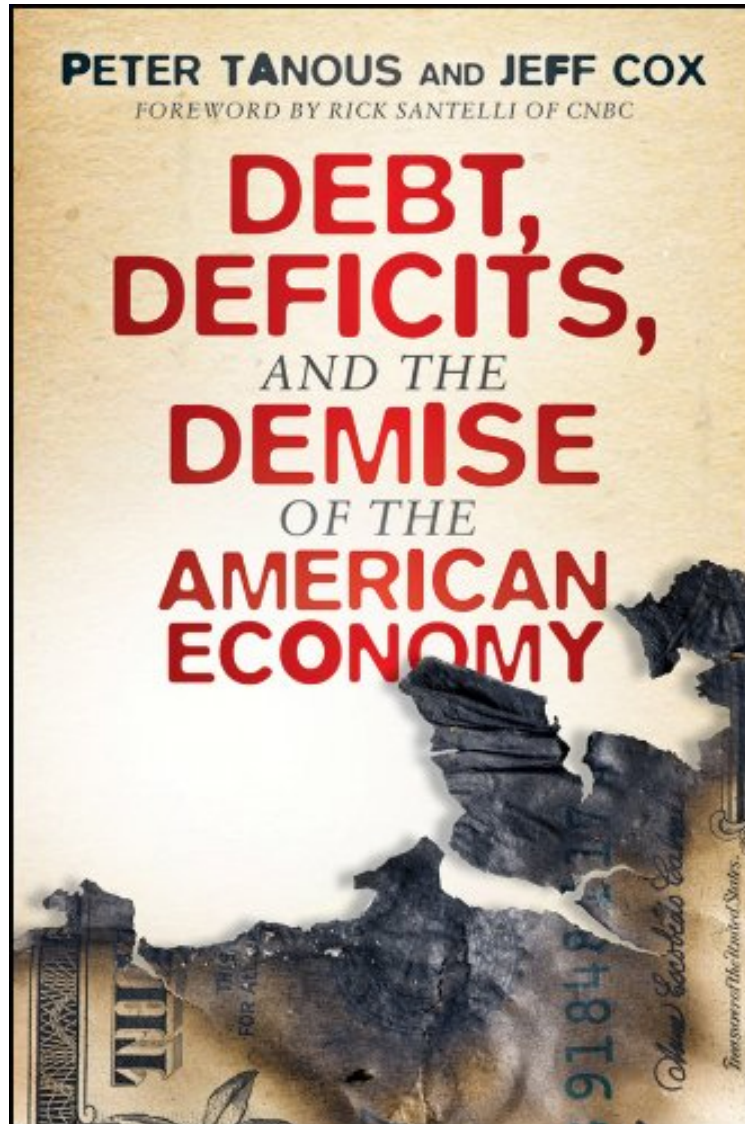


(Ebook pdf) Debt, Deficits, and the Demise of the American Economy

Debt, Deficits, and the Demise of the American Economy

Peter J. Tanous, Jeff Cox

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Peter J. Tanous, Jeff Cox : Debt, Deficits, and the Demise of the American Economy before purchasing it in order to gauge whether or not it would be worth my time, and all praised Debt, Deficits, and the Demise of the American Economy:

52 of 54 people found the following review helpful. A primer on the crisis to comeBy Kirk H SowellThe worst part about "Debt, Deficits and the Demise of the American Economy" is the title and the (literally) incendiary front cover. The authors point toward a quite negative outcome, but not the "demise" of the American economy. Rather, they make the straightforward argument that current projections put the US on the path toward a painful debt crisis, and while this outcome is avoidable, the political will - among the public and the politicians - does not exist to avoid it, so it is

essentially inevitable, and it is the timing and the tipping point which are in doubt. More detailed version: As of 2010, US public debt to GDP (defined to exclude internal borrowings from the Social Security Trust fund, etc.) was 63%, and even given optimistic economic forecasts of five percent annual growth the Congressional Budget Office (CBO) has it near 100% by 2020. Given that growth will very likely be less than that, the US will hit the magical number earlier. The authors note that defaults by some heavily-indebted EU countries will not destroy the value of the Euro - they simply make it less attractive in the short-term due to volatility - and so once Europe works through its crisis by getting rid of the sicklings, investors will demand higher rates from the US as compensation for the Fed's attempts to monetize the debt by printing money, interest payments on debt will surge from less than \$300 billion to close to \$1 trillion, and the debt crisis will have arrived, with government at last forced into intense austerity. While I disagree with some of the subsidiary arguments, and think it will take longer than they suggest, unfortunately I think some version of this is very likely.

This is a rundown of the contents -

Chapter One: It's the Deficit, Stupid Outlines the basic facts and explains key concepts. This chapter will be valuable for people whose eyes normally glaze over when they hear discussions of the debt threat. Uses CBO projections as a baseline and then expresses assessments based on the authors' views.

Chapter Two: The Crisis Begins Lays out the basics of the European debt crisis to present; little will be new to those who have followed the story, but many Americans haven't. A key conclusion on p. 27 is that Greece, Ireland and Spain will likely default in either late 2011 or 2012. Greece is terminally insolvent for sure; Ireland is also as long as they continue to equate private bank debt with sovereign public debt; Spain I'm not so sure. They don't emphasize Portugal much, although that country has already had to ask for a bailout as of the present date and, in my view, is much more likely to default than Spain.

Chapter Three: The Miserable State of the States Focuses on US state finances; takes for granted you know about California and Illinois and focuses on Pennsylvania. Provides some broad numbers for states as a whole, with an emphasis on the short-term deficit crisis without getting much into the pension crisis. They believe that the national debt crisis will arrive years before the pensions reach critical, so they don't focus on it.

Chapter Four: Inflation, through the Years Provides a historical overview of inflation crisis to come; if you know your economic history not much will be new here, although I know some (like the Fed) will disagree with the projection. When you have more money (money printing) with a given amount of goods and services, inflation is inevitable. This point is key to their broader investment points later in the book. The authors note that there are many historical examples of inflation that took place at times of high unemployment.

Chapter Five: Europe on the Brink Returns to the European debt crisis, but in this chapter looking forward instead of reviewing recent events. The most important point they make, which I think many don't get, is that the inevitable debt restructurings in Greece et alii will harm those countries and the (mostly) German and French banks which lent to them, but will not destroy the Euro. In fact, it will be stronger once the PIGS leave, and that will be the impetus for investors focusing on the US.

Chapter Six: The Crisis Hits the United States Returns to the theme of chapter one, but more forward looking now. The statistic cited I consider most important (p. 76) is that even a sustained increase in interest rates to four percent would, by 2015, double the yearly interest payments of \$460 billion they project. That is, around \$900 billion. And I consider that quite likely.

Chapter Seven: The Way Back Includes a range of broad proposals for fixing the problem, including the need for less spending, less QE (money printing) and more saving. Emphasizes that while post-2008 there was some increase in private saving, this positive was overwhelming by public spending which cancels it out.

Chapter Eight: Forging Ahead This is the policy prescription chapter. The authors advocate a range of more specific proposals; cutting taxes broadly (corporate, payroll, individual) but introducing a VAT (value added tax), extending the retirement age and means testing benefits, reducing regulations and raising the bar for education through increasing competition. While some of these proposals might help, I don't see how they prevent the crisis; they are all aimed at increasing growth, but given spending trends even increased tax revenues from growth will only partially offset them. And while more competition in education may be good, I wouldn't cite higher education for this, as the authors do. Competition has caused universities to compete through lower standards and increased campus perks for students on an extended adolescence, and to the extent that they cite international surveys showing that US universities are the best in the world, given what they now produce, I would question the methodological validity of the surveys.

Chapters Nine, Ten Eleven: Investing in a Time of Crisis/Gold is Still Good/The World Still Runs on Oil Here the authors take the coming crisis as a given and provide some investing advice. The essence of it is to be careful about stocks, stay away from long-term bonds given the coming inflation, and buy gold and the stocks of companies whose value is secured by the long-term prospects for high oil prices.

Chapter Twelve: Understanding the Investment Risks we Face Good overview of the concept of risk in investing if you've not studied the topic of risk. If you have, not much will be new.

Conclusion Summarizes the argument and admonishes investors to remember that people make money in all kinds of environments. Suggests that the crisis could come as early as 2011 and imply without firmly predicting that it will come in the next few years. I think 5-10 is more likely because I think it will come a bit more gradually through investors demanding higher returns on Treasuries to offset the impact of the Fed's money printing.

2 of 2 people found the following review helpful. Disturbing but seems to be technically accurate

By Otis I read this book because I am concerned about the economy and am looking at ways to weather the coming economic storm. It appeared that the authors had the details correct, and presented a logical conclusion based on those details. Clearly, economics is black

magic and there are a lot of underlying factors that none of us can ever know that will affect the outcome, good or bad. The one area that could have been better was strategies for investing in this period of uncertainty. Gold always comes up but gold is hard to handle/spend, and precious metals mutual funds traded in what could be worthless dollars hardly seem to be a good investment. 1 of 2 people found the following review helpful. A succinct and well-written book that gets right to the point. By Tom This is a must read for anyone concerned about the direction government continues taking toward financial ruin. The authors do not assume their readers are economists and their reasoning is sound and easily understood by the average reader. If you are concerned about our nation's future and are looking for practical survival techniques, then do yourself a favor and buy this book.

What investors can do to protect their investments in the next phase of the ongoing global economic collapse The United States is heading toward an unavoidable financial catastrophe that will paralyze the markets and the overall economy in ways never before seen. Some call this impending economic catastrophe a double-dip recession, others a financial Armageddon. Regardless of what it's called, it is too late to stop it. Debts, Deficits, and the Demise of the American Economy is a look at how we got here, how the crisis is unfolding, and how it will end with a stock market crash in 2012, if not sooner. Takes you through the unraveling of the collapse, starting with a wave of sovereign debt defaults in Europe Predicts a stock market decline of two to three thousand points, a run on banks resulting in a major bank crisis, and rampant inflation Provides investment strategies, including alternative investments such as timber, farm land, and oil Offers a detailed proposal to get the United States out of the crisis Debts, Deficits, and the Demise of the American Economy is a must-read, play-by-play account of the worldwide depression that is likely to unfold in the coming years.

From the Inside Flap "The problem we now face is the most extraordinary financial crisis that I have ever seen or read about." —Former Federal Reserve chairman, Alan Greenspan (August 7, 2010, interview in the New York Times) So begins this extraordinary book that takes the reader through a logical and linear progression toward what is likely to become the worst financial disaster in American history. The financial Armageddon will begin with the collapse of the so-called PIIGS nations—first Greece, then Ireland—leading to a crisis of confidence in European banks and a sharp devaluation of the euro. Speculation about the fate of the EU will spark a trading frenzy in world equities markets, and the rising uncertainty will bring a rapid decline in world stock markets. The bond markets will all but shut down, and interest rates will spike. In short order, the focus will shift from Europe to the United States and its monumental debt and out-of-control deficit spending. The U.S. Treasury will shift its printing presses into high gear as it churns out additional billions to cover its debts, but America's deteriorating financial condition will cause a spike in interest rates as buyers of U.S. Treasuries lose confidence. Several states will default on their municipal debt; in many cases, retirement checks to former state employees will cease. From there, events inexorably will lead to soaring inflation of an order not seen since the 1970s. If this grim scenario seems far-fetched to you now, it won't by the time you're done reading this harrowing account of the current state of the world financial system. Authors Peter Tanous and Jeff Cox brush aside the "blue skies" propaganda coming out of Washington and the New York Fed to offer a cold-eyed assessment of the facts. Step by painful step, they delineate the events that have led us to the current state of affairs until they arrive at the inescapable conclusion that decades of profligate spending by government and reckless speculation in the financial markets have taken us too far down the path of destruction for us to entertain any ideas of turning back. Global economic collapse may be inevitable. The only question remaining now is what you can do to protect your assets until the crisis blows over. In answer to that question, Tanous and Cox explain why Modern Portfolio Theory and the traditional 60/40 portfolio structure no longer apply. In their place, the authors offer a set of inflation-busting asset allocation strategies that include a substantial investment of real assets—including oil, gold, timber, and even farmland—as well as inflation-protected bonds. A storm is coming. How soon, exactly, it will arrive, no one can say for sure. If you want to know how it will shake out and what you can do to shield your hard-earned assets from the worst of it, read *Debt, Deficits, and the Demise of the American Economy*. From the Back Cover Praise for *DEBT, DEFICITS, AND THE DEMISE OF THE AMERICAN ECONOMY* "Before reading this book, I was concerned. Now I am scared. Hopefully, this admirable message will provide material to those legislators fighting for more robust, low-debt, deficit-free systems. I thank the authors for fighting for economic safety." —NASSIM NICHOLAS TALEB, Distinguished Professor of Risk Engineering, NYU, and author of *The Black Swan* "Tanous and Cox brilliantly explain how the United States got into the financial hole. But better yet, they explain how we can get out of it. Here is the sure path to renewed prosperity if we will only follow it." —SAM DONALDSON, ABC News Correspondent "An important business book about how we've ended up at this desperate juncture for our economy. Tanous and Cox don't merely chart the path to our demise, they construct an effective road map back to prosperity that all policymakers should heed." —Dr. ARTHUR LAFFER, Chairman, Laffer Associates "A chilling account of what will happen if our political leaders do not take immediate steps to resolve the number-one threat to our great nation: massive federal budget deficits that are growing exponentially with no end in sight. Must reading." —WILLIAM M. ISAAC, former chairman, FDIC, and author of *Senseless Panic: How*

Washington Failed America "Debt, Deficits and the Demise of the American Economy is a sobering and frightful account of the nation's financial challenges that should be read and understood by all Americans, whether they agree with the authors' conclusions or not." —Steve Liesman, Senior Economics Reporter, CNBC

About the Author Peter Tanous is President of Lepercq Lynx Investment Advisory. Over the course of his forty years as a finance professional, he has served as executive vice president of Bank Audi (U.S.A.) in New York City, chairman of Petra Capital Corporation—an international investment bank that he cofounded—and first vice president and international regional director with Smith Barney. Mr. Tanous is the author of several critically acclaimed books, including *Investment Gurus*, which was chosen as a Main Selection of The Money Book Club, as was his subsequent book, *The Wealth Equation*. Jeff Cox has been a journalist since 1987 and is a staff writer with CNBC.com where he covers all aspects of the markets, and appears on CNBC Television. He provides market commentary for radio stations across the country, and his articles frequently run on other CNBC syndication partners such as TheStreet.com, Yahoo!, and AOL Money. He also has worked at CNN Money and as a senior editor for two Pennsylvania newspapers. Cox's writing and editing projects have been honored on multiple occasions by the New Jersey Press Association and Pennsylvania Newspaper Association.