

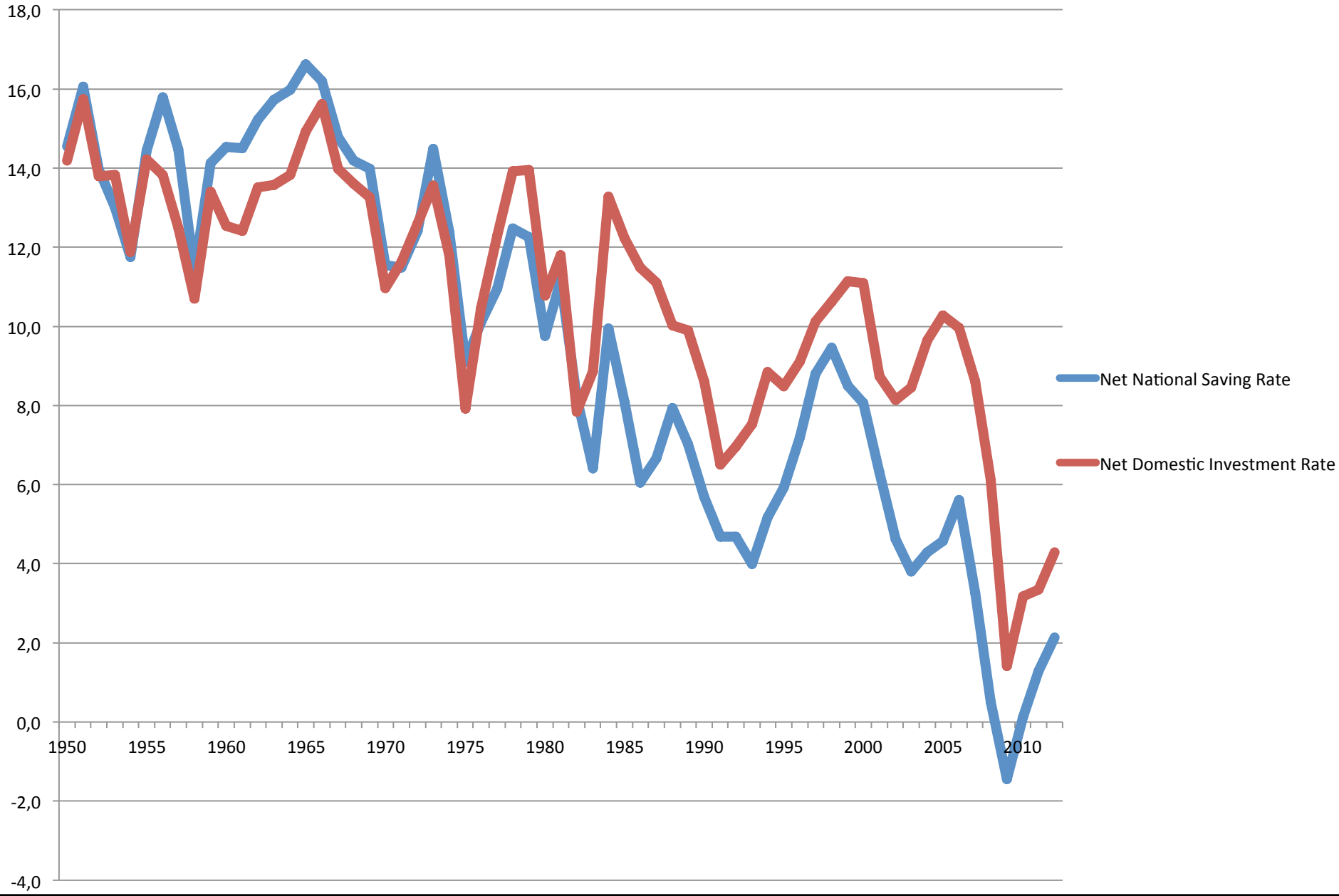
Spending Our Children's Futures

Laurence J. Kotlikoff

Professor of Economics, Boston University

Net National Saving Rate and Net Domestic Investment Rate, 1950 - 2012

Percent of National Income



Who Has Been Consuming
So Much More?

Is It Uncle Sam?



Or Is It Grandma?

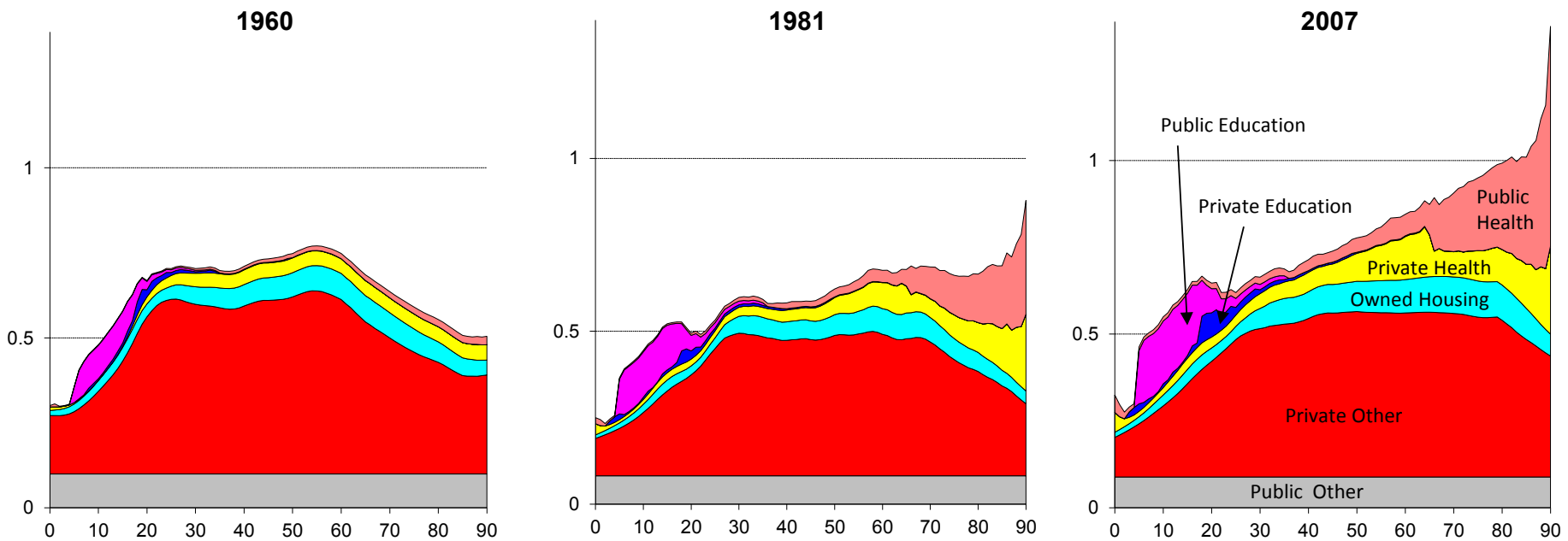


It's Grandma!



US consumption Per Capita by Age, 1960, 1981 and 2007

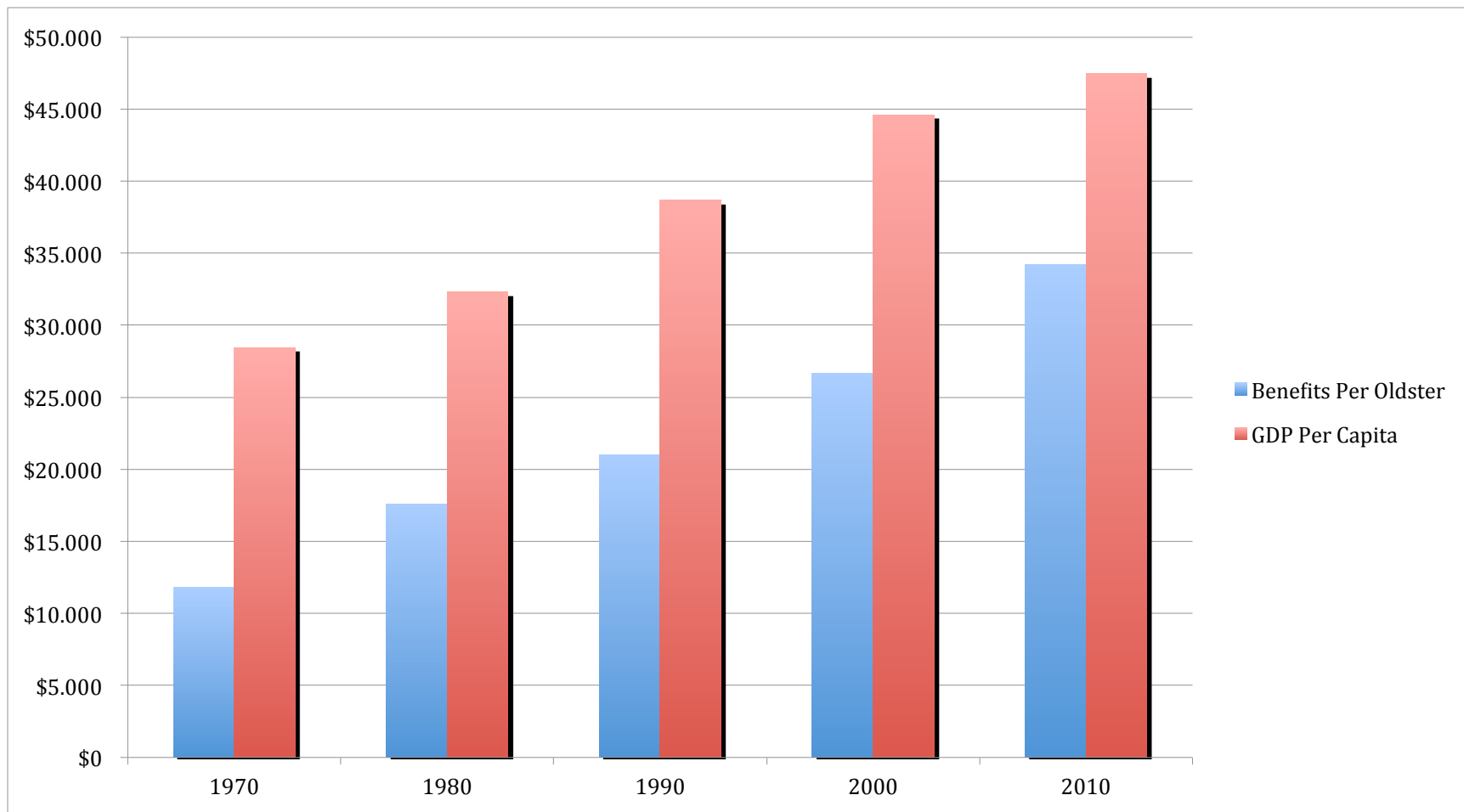
(Ratio to average labor income ages 30-49)



Source: US National Transfer Accounts, Lee and Donehower, 2011

U.S. Real Social Security, Medicare, and Medicaid Benefits

Per Oldster and Real Output per Person, 1970 -2010



America's Real Wage Stagnation

Average U.S. earnings per hour, adjusted for inflation and excluding fringe benefits, are no higher today than they were 40 years ago!

But The Worst Is Yet to Come!

The Fiscal Gap

Puts Everything On the Books

Fiscal Gap Equals the
Present Value of All Spending Minus
the Present Value of All Revenues

2013 U.S. Fiscal Gap

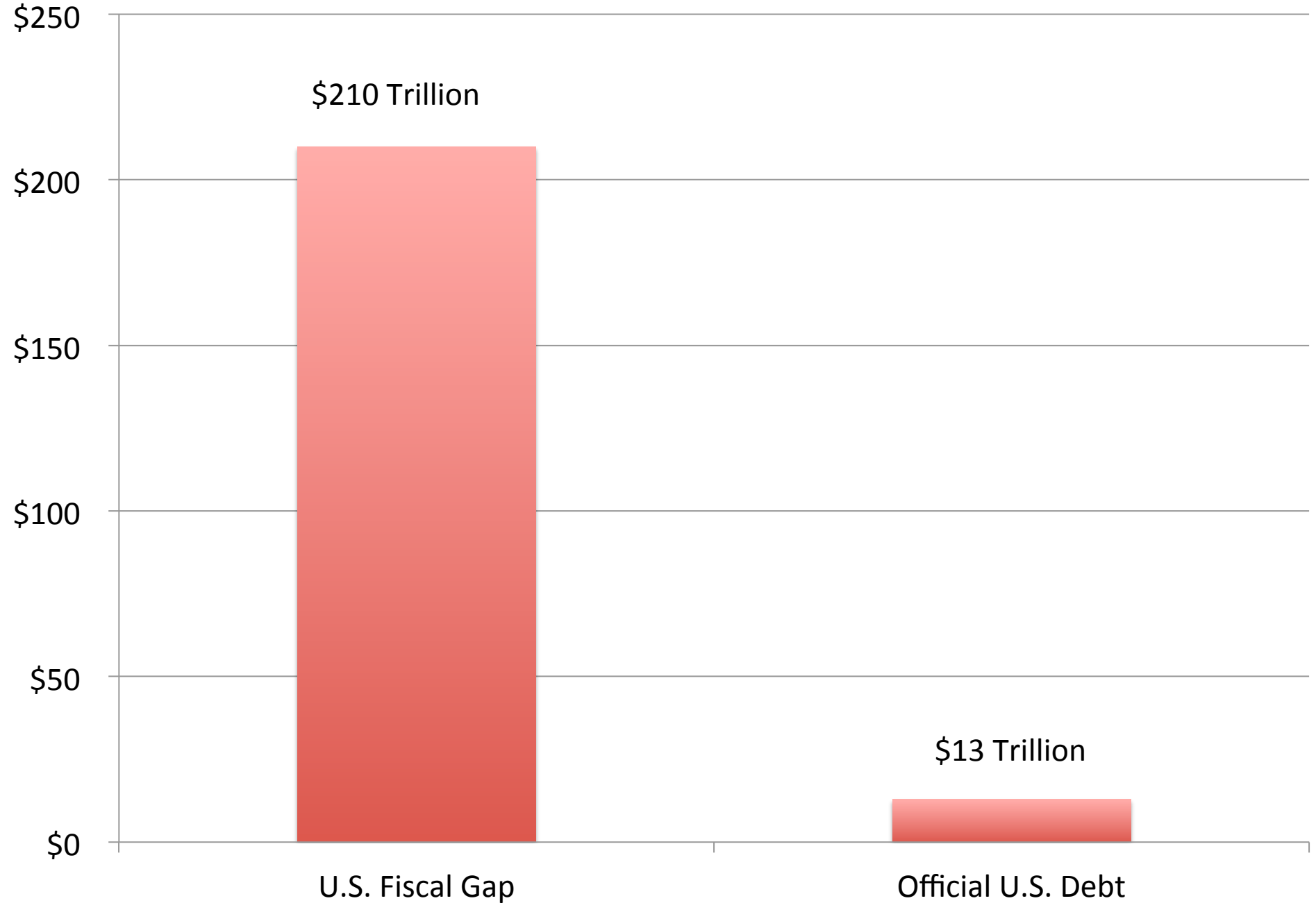
\$210 Trillion

or

10.5 Percent of U.S. GDP, *Forever!*

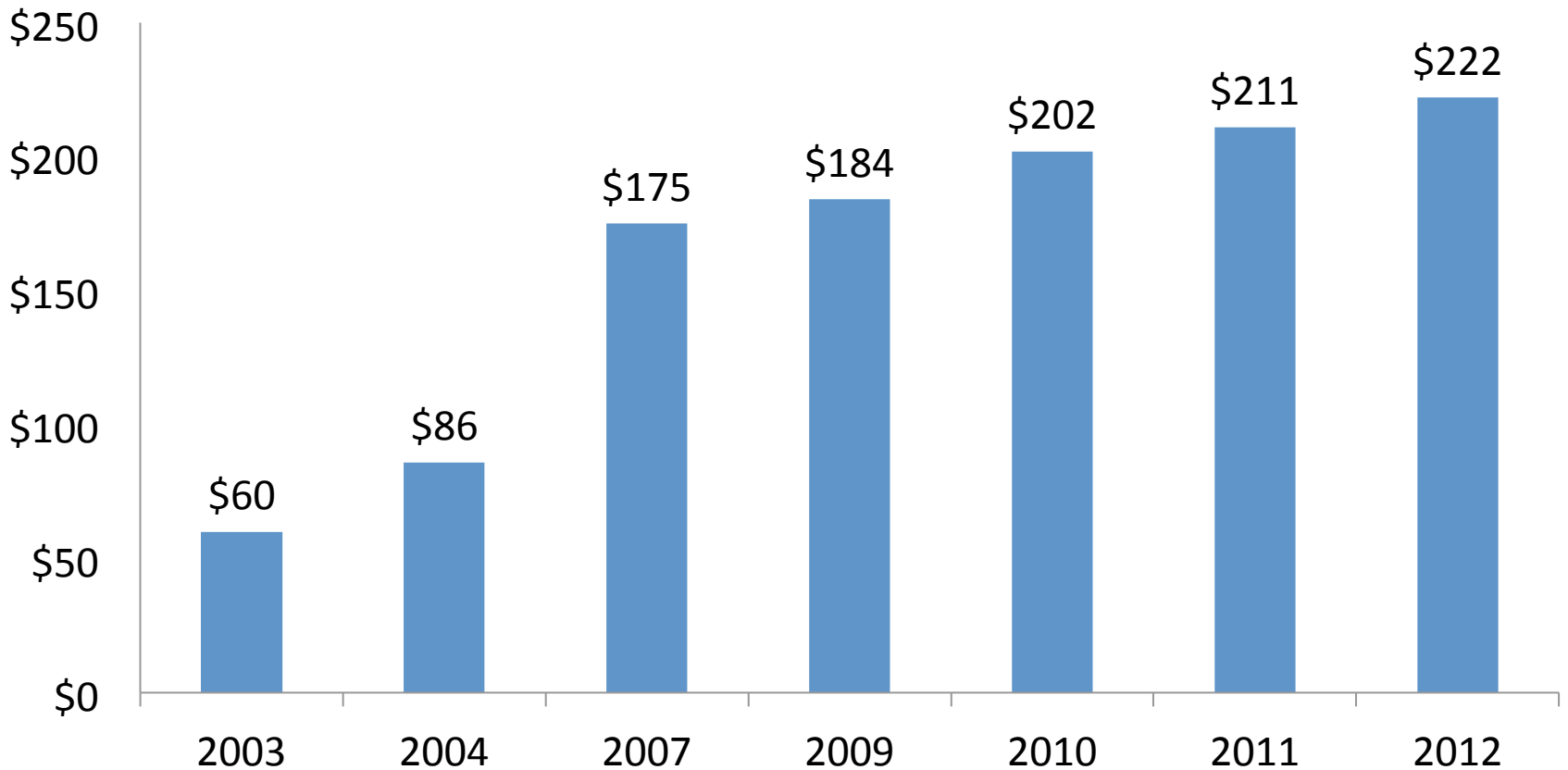
Source: Author's Calculations base on CBO's October 2013 Alternative Fiscal Scenario

Fiscal Gap Swamps Official Debt



Historical U.S. Fiscal Gaps

(in Trillions of Dollars)



U.S. “Appears” to Be In Far Worse Fiscal Shape Than Almost All Other Developed Countries

Fiscal Gap as Percentage of the Present Value of GDP

U.S.	10.5 %
Japan*	10.0 %
Netherlands	5.9 %
UK	5.2 %
France	1.6 %
Germany	1.4 %
Italy	-2.3 %

* Approximate Measure, EU values based on EU 2012 Fiscal Sustainability Report

Closing the U.S. Fiscal Gap

Immediate and Permanent 58%
Hike in All Federal Taxes!

Immediate and Permanent 38% Cut
in All Non-Interest Federal Spending

How Is the U.S. Government Addressing Its Long-Term Fiscal Problem?

By Printing Money

For Example, In 2013

29 Cents of Every Dollar Spent

by Uncle Sam Was Simply Printed!

Since 2007, the FED and BOE Have
Increased their Monetary Bases
by a Factor of 500 %

ECB Has Increased Monetary Base
by a Factor of 50%

Nothing Short of Immediate,
Radical Healthcare, Tax, Social
Security, and Financial Reform
Will Save America's Children
and, I believe, Italy's.

Fiscal Focus Should Be On Fiscal Gap

This would be good for Italy!

**1,200 Plus Top Economist,
Including 17 Nobel Laureates Have
Endorsed Fiscal Gap Accounting**

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The Purple Plans

www.thepurpleplans.org

- www.thepurplefinancialplan.org
- www.thepurplehealthplan.org
- www.thepurpletaxplan.org
- www.thepurplesocialsecurityplan.org
- www.thepurpleenergyplan.org
- www.thecommonsensetax.org

Italy's Path to Growth

Provide Adequate Unemployment
Insurance and Permit Employers to
Terminate Employees at No Cost

Italy's Path to Growth

HELP SMALL BUSINESS
SET UP THEIR ENTERPRISE
IN JUST ONE DAY

Italy's Path to Growth

DO FISCAL GAP AND
GENERATIONAL ACCOUNTING
FOR ITALY ON A ROUTINE
AND REALISTIC BASIS

Italy's Path to Growth

GIVE ITALY THE WORLD'S
SAFEST FINANCIAL SYSTEM

Adopt Limited Purpose Banking

ALL FINANCIAL INTERMEDIARIES TRANSFORMED
INTO 100% EQUITY-FINANCED MUTUAL FUNDS

www.thepurplefinancialplan.org

Italy's Path to Growth

FREEZE ITALY'S STATE PENSION SYSTEM AND
GRADUALLY ELIMINATE THE 33% PAYROLL TAX

Adopt the Purple Social Security Plan

Workers Forced to Save at Zero Cost in a
Single Market-Weighed Global Index Fun

www.thepurplesocialsecurityplan.org

Italy's Path to Growth

PROVIDE RISK-ADJUSTED VOUCHERS FOR A BASIC
HEALTH INSURANCE POLICY TO ALL ITALIAN CITIZENS

Adopt the Purple Health Plan

www.thepurplesocialsecurityplan.org

Italy's Path to Growth

- Focus Attention on Italy's Relatively Low Fiscal Gap
- Budget on a Long-term Basis Based on the Fiscal Gap
- Adopt Unemployment Insurance, Eliminate Firing Costs
- Switch to Limited Purpose Banking
- Freeze Existing Pension System, Adopt Purple SS Plan
- Promote Healthcare Competition via Voucher System
- Help New Businesses Set Up Shop in 1 Day
- Promote Confidence
- Rome Wasn't Built In a Day. But It Didn't Take Forever.