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## 1 – RECOMMENDED SUMMER READING

### **Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon**

*(Gretchen Morgenson and Joshua Rosner)*

The American people realize they've been robbed. They're just not sure by whom. *Reckless Endangerment* chronicles the epic financial crisis of 2008, and identifies powerful people whose involvement in the debacle has not yet been widely appreciated.

The crisis, write the authors, was the result of actions taken by people at the height of power in both the public and the private sectors – people who, disturbingly, continue to hold sway in the corridors of Washington and Wall Street. The book is filled with names, dates and figures; the list of villains includes James Johnson, Franklin Raines, Barney Frank, Bill Clinton, Chris Dodd, Larry Summers, Robert Rubin, Richard Holbrooke, Maxine Waters, Henry Cisneros, Timothy Geithner and Andrew Cuomo, among others.

The failure to hold central figures accountable for their actions sets a dangerous precedent.

### **Endgame: The End of the Debt Supercycle and How It Changes Everything**

*(John Mauldin and Jonathan Tepper)*

Over a period of about sixty years, among governments and individuals around the world, debt levels grew faster than incomes. But by 2008 the debt burden became too much to bear and the debt supercycle came to an end. We now face years of deleveraging, defaults and insolvency. The world economy is in for an extended period of sluggish growth, high unemployment, and volatile markets punctuated by persistent recessions.

### **The New Road to Serfdom: A Letter of Warning to America**

*(Daniel Hannan)*

More knowledgeable about the US than most Americans, Hannan, a British member of the European Parliament, pleads with Americans not to abandon the founding principles that have made their country a beacon of liberty for the rest of the world. Social democratic Europe is no model for the US to be following, argues Hannan. The title of course is taken from F.A. Hayek's 1944 book, "The Road to Serfdom," whose essential message is that centralized power leads to the loss of freedom, liberty and well-being.

Writes Hannan, "The United States is the realization of a libertarian archetype – both in theory and in practice. Its constitution is unique in the emphasis it places on the individual rather than the government."

### **Physics of the Future: How Science Will Shape Human Destiny and Our Daily Lives by the Year 2100**

*(Michio Kaku)*

Based on interviews with over three hundred of the world's top scientists, who are already inventing the future in their labs, Kaku presents the revolutionary developments in medicine, computers, quantum physics, and space travel that will forever change our way of life and alter the course of civilization itself.

He foresees technologies like "retinal display" contact lenses that connect directly to the internet, driverless cars, the mixing of real and virtual reality, and "robotic doctors," artificial intelligence software that can diagnose 95% of common ailments.

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## **The Terrorist Next Door: How the Government is Deceiving you About the Islamist Threat**

*(Erick Stakelbeck)*

Since the 9/11 Commission published its report in 2004, the US government has steadily removed from its national security strategy documents and terrorism assessments any reference to Islamic ideology, jihadist teachings, or Koranic injunctions to subdue the earth. Federal agencies charged with protecting the American public have issued guidelines forbidding their employees from making any mention of Islam, the Koran, or jihad.

In short, the people tasked with preserving our national security have stopped listening to what our jihadist enemies are saying about why they hate us and why attacks against Americans are justified. Instead, American officials, crippled by political correctness, have chosen simply to ignore the fact that Islamic terrorism does not just occur out of thin air, but is driven by a rigid, longstanding, and Koranically inspired ideological system.

## **The Secret Knowledge: On the Dismantling of American Culture**

*(David Mamet)*

David Mamet is a well-known and respected playwright whose plays and films have long championed leftist sentiments. His plots and characters, for example, have often excoriated the ethics of the business world and have sought to expose the flaws of the capitalist system.

But in recent years Mamet has had a change of heart. In 2008 he wrote a controversial op-ed for *The Village Voice*, “Why I Am No Longer a Brain-Dead Liberal,” in which he methodically eviscerated liberal beliefs. Here he goes much deeper, exposing the ludicrous beliefs and posturing of the Left on everything from political correctness to global warming to its hostility toward Israel. (The “secret knowledge” of the title refers to spurious government justification for involvement in activities beyond its purview.)

Some excerpts:

Liberalism is a religion. Its tenets cannot be proved, but it affords a feeling of spiritual rectitude at little or no cost. Central to this religion is the assertion that evil does not exist, all conflict being attributed to a lack of understanding between the opposed.

Well and good, but this does not accord with the experience of anyone. ...

This is the essence of Leftist thought. It is a devolution from reason to “belief,” in an effort to stave off a feeling of powerlessness. And if government is Good, it is a logical elaboration that more government power is Better. But the opposite is apparent both to anyone who has ever had to deal with Government and, I think, to any dispassionate observer.

## 2 – AMERICA AGES IN PLACE

America is beginning to show its age as the baby boom generation advances toward full-fledged senior-hood. But the pace of this aging will vary widely across the national landscape due to noticeable geographic shifts in the younger population, with implications for health care, transportation, and housing, and possible impacts upon our ability

to forge societal consensus. So writes William Frey of The Brookings Institution.

An analysis of data from the 1990, 2000, and 2010 decennial censuses reveals that:

- Due to baby boomers “aging in place,” the population age 45 and over grew 18 times as

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fast as the population under age 45 between 2000 and 2010. All states and metropolitan areas are showing noticeable growth in their older and “advanced middle age” populations which, for the first time, comprise a majority of the nation’s voting-age population.

- Although all parts of the nation are aging, there is a growing divide between areas that are experiencing gains or losses in their younger populations. In 28 of the 50 states, and 36 of the 100 largest metro areas, the population below age 45 declined from 2000 to 2010. Yet in 29 metro areas, including Las Vegas, Orlando, Houston, and Atlanta, the under-45 population grew by at least 10 percent over the decade.
- Areas experiencing the fastest senior (age 65+) growth are located in the Sun Belt, while areas with the highest concentrations of seniors are located primarily in Florida, the Northeast, and the Midwest. Yet baby boom generation “pre-seniors,” now just turning 65, are growing rapidly in all areas of the country due to aging in place. College towns such as Austin, Raleigh, Provo, and Madison are among those where pre-seniors are growing fastest.
- Suburbs are aging more rapidly than cities with higher growth rates for their age-45-and-above populations and larger shares of seniors. People age 45 and older represent 40 percent of suburban residents, compared to 35 percent of city residents.
- Metropolitan suburbs differ sharply in the degree to which they are attracting young adults and children. The suburbs of 34 metropolitan areas, mostly in the Northeast and Midwest, registered declines in their child and under-45 populations in the 2000s, leaving high concentrations of “advanced middle aged” and older residents. An even larger number of cities experienced losses in these younger populations.

These statistics show trends that could signal a divide in America’s future, writes Douglas McIntyre on 24/7 Wall St. The portion of the US population that is under 15 years of age has dropped about 6% during the last decade, and the ripple effect of this has already had repercussions on the economy.

The problems of the young are not discussed much, as the focus of the press and Washington policy has been on those people who are elderly now and the generation of Baby Boomers who are just behind them. The federal debt and increases in the deficit have put the retirement support of these people at risk. The credit crisis and state and municipal deficits have spawned an austerity movement that is unprecedented in US history.

Children and young teenagers are, in many cases, the grandchildren of the older Baby Boomers or of the men and women who were very young at the time of the Korean War – people who are or will be in most need of the social safety nets provided by the government. The gulf between the needs of the aged and children highlights the pressure on young and middle aged adults to provide the tax revenue to support these dependent demographic groups. Unemployment among people between 18 and 24 tends to be high compared to the national average, so the tax burden to cover services rests with an even smaller percentage of the American population.

Another result of a drop in the percentage of the population that is under 15, continue McIntyre, is that this group will offer only modest competition to Americans who are 50 and older for jobs in a decade. A Nielsen survey done earlier this year showed that 22% of Americans expect to work past the age of 70. A more recent Gallup poll reported that “More Americans are worried about not having enough money for retirement (66%) than are worried about seven other financial matters.” The lower the number of people who are younger than 15 now, the easier it should be for the aged to find jobs. It may be that 70 is the new 50. This may not be true physically, but

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psychologically it is. The large Pew research study on aging done two years ago reported that 62% of Americans do not think they are old until they are 75. Twenty-seven percent put that age at 85.

Some states are experiencing particularly sharp drops in the percent of the population under 15. Experts maintain this is attributable to the decline in local economies. This is because many states in the middle of the country have experienced a long term economic slide – losing young adult migrants, and not attracting many immigrants.

Economies with low numbers of children also face further economic burdens. “States losing young people will be stuck with older people who will be in need of health and medical services while their labor force growth tapers off,” Frey says.

“The challenge will be to balance the needs of younger people in places where they are growing with those of baby boomers and seniors who will be aging everywhere.”

According to Frey, the consequences go beyond economics. “In the longer term, the country may be ‘splitting apart’ between a more youthful, racially diverse set of Sunbelt states, and a more stagnant, aging set of northern and Midwest states – a division which will impact the politics and economies of each.”

One piece of data not included in either the Census data or the 24/7 Wall St. study is that immigrant children account for 20% of all children in the US, and that their numbers are growing faster than any other group of children in the nation.

### 3 – DR. HOUSING BUBBLE

One housing blog I follow closely is [doctorhousingbubble.com](http://doctorhousingbubble.com). Here are excerpts from some recent posts:

Our current economy is facing unique circumstances. In no time in our past have we had such a large number of American retiring and living many years post-work. Average life expectancy in 1900 for a male was 46 and today it is up to 73 (for females it is 48 and 79 respectively). The baby boomer generation will draw on retirement plans, pensions, and Social Security. It is also the case that we have never had a housing market like the one we face today. Never had we had such a widespread bubble and we have never had a market where shadow inventory is actually larger than normal inventory. That is actually where we stand on housing as of this moment. It is also the case that we have never gone through such a painful crash without any serious reform to fix the system. Nothing has changed and this is the biggest financial crisis since the Great Depression.

The real estate market is destined for a slow and painful adjustment for the upcoming decade. The demographic shift and also the reality that the current generation will be poorer than the baby boomers will make it difficult to sustain home values even at current levels. Our economy is largely driven by the financial sector and their asset of choice is real estate. Yet we are running out of options when it comes to keeping real estate values inflated. We’ve tried artificially low interest rates with the Federal Reserve buying up mortgage backed securities with no natural market demand. We’ve tried tax credits. We’ve even tried ignoring homeowners who miss mortgage payments as a method of artificially keeping supply low. Yet home prices continue to move lower in tandem with lower household incomes. Home prices in the US are now back to 2003 levels painfully retracing a decade long boom. But as we are now realizing, no amount of financial engineering can come up with a free lunch.