

**ROGER LOWENSTEIN**

Author of the bestselling *When Genius Failed*  
and *Origins of the Crash*

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# WHILE AMERICA AGED

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



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

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*While America Aged* illuminates the scope of the problem we're facing, and warns that the worst is yet to come. With the narrative flair and talent for decoding financial ambiguities that readers have come to rely on, Lowenstein brilliantly chronicles three fascinating pension cases: the collapse of the over-obligated General Motors, the pension strike that halted New York City's subways and effectively shut down the city, and the scandalous bankrupting of the affluent corner of Southern California, the city of San Diego. Not only compelling historical sagas rich with detail and unforgettable characters, each story also acts as an object lesson. Lowenstein warns that these pension wars are only the beginning of the retirement and healthcare crisis we will face if we don't find ways to address this latest moral hazard. Governments and corporations across the country used pensions as a seemingly easy way to curry favor with unions (easy because the expense would be deferred until a later generation). But now, with cumulative retirement deficits approaching \$1 trillion, the day of reckoning has arrived. Is there a way out? Lowenstein recognizes that fixing pensions will be difficult but securing retirement is a critical issue—especially in our rapidly aging country—and he proposes a cogent solution to the impending crisis. Masterfully written and convincingly argued, *While America Aged* is a timely and crucial wake-up call to a pension damaged America.

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

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# **From Reader Review While America Aged: How Pension Debts Ruined General Motors, Stopped the NYC Subways, Bankrupted San Diego, and Loom as the Next Financial Crisis for online ebook**

## **Andrew Rossol says**

“It was a saga of greed, conspiracy, and political cowardice.”

“While America Aged” is a book that I would ask for a follow-up for in a heart beat. At the time of release (early 2008) the author alluded that the long awaited real estate correction was finally here, and Old GM/New GM were most likely an idea of the imagination to that point. To learn the underpinnings and some of the history behind corporate pension was an excellent way to begin the book, and how greed by all parties in the various stories (unions, political leaders, boards etc) always end at the cost of the average citizen.

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## **Sarah says**

Requires more understanding of American politics than I possess.

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## **Doug says**

Whoa this books is scary. It gives an interesting alternative narrative for what was wrong with GM and how they ultimately would have had to declare bankruptcy in order to deal with their pension obligations:

Funding the pension also drained immense resources from what GM could invest in product design, which set back its efforts to build better cars. “They were absolutely related,” one executive confirmed. “Quality is expensive.” Pouring its funds into pensions, GM was late to invest in hybrid vehicles – one of its many foregone opportunities. In fact, GM invested so much in its pension fund in the mid 1990s that, with the same money, it could have acquired half of Toyota Motor Corp. (p. 60)

Yes, GM management was decidedly not good during that time, but the staggering amount of money siphoned away to pensions really hamstrung them. The fact that the situation is much, much worse with city and state governments, and the fact most government pension obligations are impossible to discharge is terrifying.

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## **Nedland P. says**

Good description of the coming pension crisis.

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### **Corey Astill says**

Good info, but I found the detailed recounting of every twist and turn -- especially in San Diego -- a little tedious. I had hoped for a broader overview from across the country.

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### **Muriel Fang says**

Writing on past events could be classic, or dated. Unfortunately this book leans more towards the latter. The 'dated' flavor comes from frequent exclamations: one settlement was 'the largest in history', one company 'the most valuable', etc.

Writing aside, I am very interested in the book's topic and core message. Pensions, or \*promises\* about future long-term payments, could be meaningless unless enforceable, or fully funded. Unfortunately, if members of the pension system don't know the details of how these \*promises\* work, they could be short changed by business over-promise and under-fund for short-term gains, politicians bankrupting the pension system for short term gains, or both.

I had limited personal experience in my prior life, and I noticed myself extrapolating pension \*promises\* made at the time, into future guaranteed. It actually doesn't work this way, benefits could be re-negotiated, formula modified, pension freeze, or buy-out. Pension \*promises\* are not permanent, even though they carry such an impression.

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### **Paul Froehlich says**

There were some different causes for the pension crisis between the private and public sectors. But one common explanation is the human tendency to delay that which we find unpleasant. "Pensions are the perfect vehicle for procrastination." The benefits are among the most long-enduring promises that exist. It's easy to overpromise when keeping it will be someone else's obligation.

Roger Lowenstein tells the fascinating story via three case studies: of the United Auto Workers (UAW), the New York Transport Workers Union (TWU), and the San Diego city pensions. Lowenstein writes that the lesson from all three is "those who mortgage the future come to rue the day."

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### **Converse says**

Who would have thought that pensions could be interesting? That accounting and actuarial science could take on the character of creative writing? Well they can and do.

Pensions first started to appear in the late 19th century for workers in especially dangerous professions, and slightly later as a perk for white collar and civil service workers. They really took off after Walter Reuther,

the head of the United Auto Workers in the middle of the 20th century, got them into the union's contracts with American auto makers. They got more and more generous in the UAW contracts and in other unionized industries. Unfortunately, management, while more willing to grant pensions than wage increases because the costs don't kick in right away, almost always was tempted to underfund them. This is a problem, because pension benefits are generally legally binding debts that don't go away unless bankruptcy occurs. Because pensions are legal debts, unions were willing to accept underfunding in return for ever greater pension benefits that came due after fewer years of work. That this would make funding pensions harder had no effect on people with a short time horizon.

Pension problems are even worse in government, where employees are also voters, unions also campaign contributors, and where pension benefits are even harder to avoid paying. The case of San Diego is illuminating

Predictably, more recently founded businesses avoid offering pensions, preferring 401(k) plans which don't have the same obligations on the employer's part. Unfortunately the assets in these plans are variable, depending on the state of the financial markets; and many people don't contribute enough to the plans anyway (half of the accounts have \$30,000 or less invested in them).

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### **Josh says**

It was an interesting look into three separate scenarios where pensions and retiree benefits placed a massive burden on future generations (GM, NYC transit and the City of San Diego). The view of how these things came about, the role labor played in pushing for extreme benefits, and how government basically rolled over in many negotiations because they knew the bills would only come due later was compelling. Ultimately it was a good lesson in history but some of the stories were a little detailed and too in depth on the specific players. A solid read but not one of Lowenstein's best.

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### **Cbworkman25 says**

An excellent and chilling account of the impact of Pensions on blue-chips (detailed case study of GM), as well as municipalities - with a focus on NY and the San Diego fiasco. Lowenstein has a true talent for digging and explaining detailed and complex financial issues in layman terms. An eye opener and an excellent overview of the high social price levied by unbounded pension growth without strong fiscal fund management.

Lowenstein also casts doubt on the future of Healthcare plans, and in particular, legacy benefit plans. The combined impact of pension benefits and legacy plans are ultimately the concern of every municipality, Governor, and in the end, the taxpayer and consumer. Similar to his treatment of the LTCM downfall - highly recommended.

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### **Dimitri says**

Excellent - good look at the pressures that cause pensions to rise.

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### **Keith says**

Read it to see how San Diego government crashed and burned and how it is still just ok.

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### **Athan Tolis says**

In her seminal “Capitalizing on Crisis,” Greta Krippner probably explained it best: promises were made and delivered to the peoples of the western world after WWII that became increasingly difficult to keep, as post-war growth slowed down, leading to a series of crises of the state, perhaps culminating in The Great Financial Crisis. (And possibly not yet, if you ask me!)

While it took a financial crisis for us to acknowledge the overall crisis of the state, the demographic part of the problem was already a very popular topic of discussion around the turn of the millennium. Some, like Huntington, worried about the effects of changing demographics on society; many more about the effect on markets; others about the effect on private and public entitlements such as pensions.

So it's no coincidence that, just as the crisis was about to erupt, two books by solid authors appeared in 2008 to discuss the aging of our society: George Magnus gave us “the Age of Aging” and legendary author of “How Genius Failed,” Roger Lowenstein, came out with “While America Aged.”

Very much unlike its author, Magnus' work lacks “soul,” but it has hardly aged! Ten years later, it remains a tremendous reference.

In an important way, Lowenstein's “While America Aged” decidedly has: GM hit the rocks (and the headlines) as far back as 2005 and washed itself clean of its past in the first half of Obama's term. The travails of the Transport Workers Union in New York and the accounting shenanigans in San Diego are no longer news either. The Wikipedia entry for the TWU has not really been updated since 2006 as far as I can tell.

In short, “While America Aged” is compelling journalism and makes for some very interesting reading, but is never going to be a reference on pensions, on aging or on labor negotiations.

On the other hand, Lowenstein is a brilliant author who's left no stone unturned in these three investigations. You are there, sitting with the negotiators. You get everybody's background, from the UAW's founder Reuther and the TWU's founder Quill, all the way to modern-day gladiators Toussaint and Kalikow. The bits of the book that cover the strikes and the all-night negotiations are impossible to put down and who cares if the echo of those events is lost in time?

More to the point, the book exposes you very clearly to two undeniable facts that might elude a more dispassionate discussion:

1. Pensions are a legitimate entitlement. They do not draw their legitimacy from the sacrifices or the struggles that labor had to go through to obtain them; rather, they represent a necessity and they benefit both

the direct beneficiaries (the retirees) and their employers, who would otherwise never grant these pensions.

2. Unfeasibly large entitlements are borne of a negotiation where an important party is not represented: those who will be called to pay for them. Both the grantor and the potential recipient of the pension must therefore share the blame for a negotiation where both can claim victory for having pushed the weight of an agreement to a future generation.

Finally, much as Lowenstein is very much a business journalist and rather disinclined to side with labor, it was very interesting to see him explain that business is not as well-suited as the government to insure society against bad health and old age (and to credit Reuther, a labor union leader, for pioneering that thought.)

In summary, this is not only a fun book, but one that brings to light, through the profiles of weak people (corrupt San Diego fireman Saathof springs to mind), the human fallibility and weakness that often lands us with unfeasibly large promises.

As a supplement to a more complete book on entitlements and aging, I recommend it highly.

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### **Jon says**

Outstanding research, scary, scary book. Lowenstein makes a very dry topic very readable, should be assigned reading for public policy managers, journalists who cover government, and, oh yes, politicians. Giving future benefits to avoid making hard decisions now isn't just a government phenomenon, though it's a practice that flourishes in Congress and legislatures throughout the country. Lowenstein blames GM as much as it's unions for the fiasco that toppled the company, and the San Diego story is just infuriating. It shows public employees at their worst, feathering their nests and putting the cost on taxpayers. AND, important, it shows what happens when elected officials are so slavishly focused on never increasing taxes or fees, for any reason under any circumstances, that they essentially conspire with the employees to defraud the public.

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### **C says**

Always interesting to read things written before the financial crisis. Things only got worse from here, but it's interesting to see how companies like GM got as bad as they did in terms of pension and retiree healthcare liabilities.

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