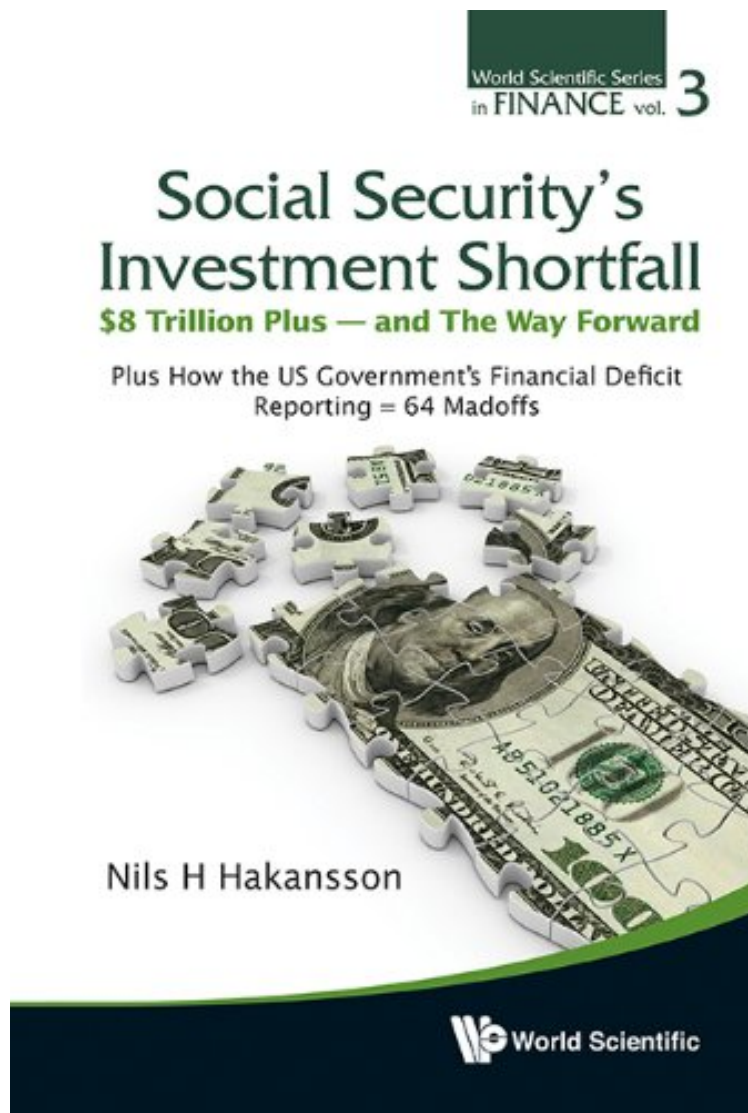


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Social Security's Investment Shortfall: \$8 Trillion Plus mdash; and The Way Forward:Plus How the US Government's Financial Deficit Reporting = 64 Madoffs: 3 (World Scientific Series in Finance)

Nils H Hakansson

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The aim of this book is to document, on a solid and convincing foundation, two public policy mistakes of the United States Government that have been extremely costly. First, the failure to combine stocks with long-term government bonds in the Social Security Trust Fund, the way other nations do, has resulted not only in an investment shortfall well into the trillions of dollars, but has also reduced US and global economic growth and increased the national debt. Second, by employing the Unified Budget concept beginning in 1970, the US Government has since then understated its financial deficits by more than \$4 trillion and in doing so it has shielded the increase in the debt owed to the public by roughly half. This study puts forth the notion of Social Security as a minimal safety net is consistent with the views of both Adam Smith and Friedrich Hayek and that private social security accounts are inefficient and subject to moral hazard and huge productivity losses. It also introduces a novel approach to long-term investing suitable for perpetual funds consistent with the empirical phenomena of risk premia and mean reversion, including no asset sales and the use of short-term borrowing on a rollover basis to cover negative net inflows. The study also proposes that payroll taxes be re-labeled Social Security Contributions and that the Social Security System be made independent and professionally managed based on the Federal Reserve System model.

Contents: Introduction
Social Security: A Very Brief Overview
Safety Nets: Insurance Policies and Retirement Plans
Shortcomings of Social Security
If Social Security Funds had been Invested in Marketable Treasury Bonds and Stocks —; with Other Things Being Equal
Privatizing Social Security Results in Inefficiency, Moral Hazard, and Very Low Productivity
The Way Forward
Readership: Academics in the fields of investment, public finance, economics, political science, public policy, and accounting; practitioners in the areas of investment, government policy (including the AARP), and the media; and members of the public concerned with retirement, life insurance, and disability insurance and the future of Social Security and its relationship to private plans.

"In this important and revealing contribution to the coming debate on entitlements Professor Hakansson shows how Congress/the government has squandered our contributions to Social Security on current expenditures instead of investing them to provide the future pensions that are promised, and has used deceptive accounting for 40 years to drastically understate budget deficits. His salutary proposals for reform provide a firmer basis for future benefits." -- Michael Brennan, Professor of Finance, Emeritus, University of California, Los Angeles and London Business School
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From the Inside Flap
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About the Author
Nils H Hakansson is the Sylvan C Coleman Professor of Finance and Accounting, Emeritus, University of California, Berkeley. He has lectured widely around the world and received an honorary doctorate from the Stockholm School of Economics. He was a trustee of the Lauder Mutual Funds and chair of its audit committee, 1990-2009.