

CHAPTER 1

America the Dominator

How the U.S. Became the Most Powerful Country on the Planet

In this chapter . . .

- So you got the book. Let's see what you get.
- Who were they? Why did they come in the first place?
- A change comes: We're getting old, and printing too much money!
- Robin Hood, Sherwood Forest, and the Sheriff of Nuttin' Doin'
- Let's review: They come, they learn, they leave.

What's First?

Throughout the course of this book, there will be times when I'll want to get very specific with you. We'll talk about various investment techniques, and those techniques are as valid today and tomorrow as they were yesterday. The investments themselves, however, well let's face it, to get this book to you in the winter of 2010, I have to finish it in the autumn of 2009. I'm giving you my best ideas and strategies, although by the time you read this, some of them may have succeeded, played out, or even failed.

That's OK, because I'm giving you these ideas as an example of how you should be *thinking*. Take them in that spirit, because my mission is to help you transform yourself into the new species

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of think-for-yourself investor you'll have to be in this world without economic borders.

Our world is connected, networked as never before. We send our thoughts to each other everywhere and anywhere via e-mail, video conference, and streaming audio. We collaborate across borders and entertain each other across borders; we even finance each other across borders.

That means the rest of the world is at our doorstep; so yes, we'll talk a lot about how you can take advantage of this new "globalized" economy. But, make no mistake about it: For all intents and purposes, it is *American* ingenuity that created the wealth our neighbors want so desperately to share in. And there are plenty of great American companies to invest in—companies that stand as strong as the Rock of Gibraltar, companies that will continue to stand, continue to grow, continue to be some of the best investments available to make you rich, and richer.

As I'm writing this, you and I still need and want and buy devices from Cisco Systems—devices and ideas that are bargains to us, and extremely profitable to Cisco. I have little doubt that I'll be buying and selling that stock for the rest of my life. I've come to understand the company and the pricing of its stock; I can feel when it's a bargain, and when the money has been made. You can do it, too. It only takes a little experience and practice. Play with it, and you'll get it, just as you learned to throw a football or play ping pong, to shoot pool or draw blueprints, or to sing or dance.

I'll also be watching (and buying and selling) the Blackstone Group. I'll talk about these companies and others in more detail later, but for now, just imagine how Blackstone can fit into your life. This is not only about you and me buying into China, or the rest of Asia, or the rest of the world. It's also about them buying into us—remember, it's a global concept here. Look, the Chinese Sovereign Fund, along with smart people everywhere, has invested billions into Blackstone, and Blackstone, with its experience and savvy, used that money to buy companies, take them private, then develop and sell them, usually for a huge profit. I'm sure I'll buy and sell Blackstone many times over the course of the rest of my life. Again, you can easily learn to do the same thing.

The point to be made here is that this is not just us and *them*. It's all of us; it's a network. A worldwide network to be sure, but hey, it takes a phone connection or a computer connection the same

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amount of time to go around the corner as it does to go around the globe.

As an American, you're privileged to belong to a culture made up of inventors and innovators, a vast group of people who have been able not only to survive, but to thrive on their spirit of adventure and a vast store of knowledge—all long, long before our neighbors around the world began to "catch on." The fact is they've come a long way toward catching up. But their doors, as well as ours, are all unlocked; the walls are down, the economic borders no longer exist. It is to that point that I've put this book together.

So then, are you ready? Good. Now let's see how we ever got into this terrific position in the first place.

Why America Has Always Dominated: Part One

This is going to be the era when we Americans, the inspiration to the whole world, get to watch the ascendance of everybody else. It's hard not to think of yourself in decline, when everybody else is catching up. The truth is if we keep ignoring the free spirit and willingness to take a chance and assume the risk of losing what got us to where we are, we *will* see some decline. Much of this book is about how to think globally and share in the good fortune of those around the world that we have inspired. More than that, it's about how you can join me in getting rich helping them get what we have—that which they are determined to get!

Great. But don't be fooled. The real long-term success of the United States is still ahead of us. At the moment we may be slowing our own development by focusing on how we split the pie, rather than how we grow the pie, but life in this great country is cyclical.

Our society has more freedom than any other on this planet, and when the government's policies don't work out, we are better able to change policies and governments than anyone else. That's exactly what will happen. So, for now, you and I will make lots of money acknowledging that foolish U.S. policies are going to set us back a little, and give others with courage and initiative a chance to catch up and even surpass us in certain areas for a while.

Through that whole medium-term plan, don't forget for one minute that the worst bet ever conceived on planet Earth has been a bet against American ingenuity, the American economy, and American power. History is littered with the limp bodies of those deceased,

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and the shells that remain of those still alive, who have made that bet against the United States—from Hitler and Tojo, to Khrushchev and Brezhnev, to Saddam and Kaddafi. I, for one, do not plan to join them.

There are major reasons for our success. Our advantages over other nations are so profound they're difficult to overcome. Sometimes they lead us to make mistakes rooted in overconfidence and hubris, but we've always recovered, and when the whole world gets used to selling America, I can assure you, I will be buying.

The best and the brightest came to America, because they saw the big magic "O"—opportunity. And what created that opportunity was the very nature of the place itself. The guys who landed here way back when, landed in one of the most fertile, well-developed places on the face of the planet. It's a well-designed place, with better resources and a better setup than anywhere else in the world. From sea to shining sea, we have good, arable land. Easy to grow stuff on, it's the largest piece of contiguous arable land in the entire world. The middle of the country is made up of prairie land that is perfect for crops; it didn't even need to be cleaned up before farming. And there's more very good farmland on the East Coast, the West Coast, and down South.

There's good, arable land elsewhere in the world, but it's mixed in with mountains and jungles and deserts. We've never been saddled with the enormous burden of having to focus all our energy on trying to feed a country full of hungry, undernourished people, because it's never been hard for us to get large tracts of land set up to feed our population. Most other nations spend all their time and energy just trying to get food.

The next reason is travel. How easy is this? There are a couple of mountain ranges a few thousand miles apart, but other than that, it's flat! We've easily built roads for horses, roads for stagecoaches and buggies, roads for cars and trucks. We've easily built railroads north, south, east, and west. To build roads in most other countries, you've got to blast through mountains, or dig your way through treacherous land, or clear your way through jungles, and so on. It's slow, tedious, and very expensive work. And I'm talking about everybody: Europe, Asia, South America, Africa, China, Russia, all of them. They have tiny little pieces of arable land mixed with very, very rough terrain, where it's extremely difficult to move people around.

Those other countries need gigantic armies, too. Because of the layout of the land, armies need to be stationed all over the place

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in every key populated area. We've survived throughout the ages with smaller armies because it's so easy to move them around. These things are all important because the more resources you have the more creative you can become. We had started writing music and developing the arts while many countries were still trying to figure out how to build roads. And don't even get me started on the rivers and waterways in this country. Not only is the land fertile, we've got rivers that traverse the country in every imaginable direction.

Now, Europe has a lot of rivers, but they all move in one direction—without connecting. Here, the rivers connect! And it's so incredibly easy to use that network of rivers to move everything around. It's made it easy to develop cities, easy to get food there, easy to get equipment to the farms *and* to the armies.

America is also blessed with this great jagged coastline, which makes for great ports. It's easy for us to bring in big ships. They can anchor in those deep water bays just offshore and load their goods. In many of them they can dock right at the port city, which means easy connections to the rivers and more easy *means of transporting* people and goods. How could this *not* have turned out to be the dominant force in our world? It's really a great place to live and develop a population of people. We accomplish very easily things that are, for other nations, a considerable challenge. And that's just the beginning.

Why America Has Always Dominated: Part Two

Because of the physical nature of the United States, as described earlier, it was relatively easy to develop this country. And because that in and of itself created opportunities, it lent itself to an immigration of very intelligent, inventive, and creative people. They were attracted by this wonderful, fertile environment. And once they got here, they began to innovate, which only caused the advantages and opportunities to increase. It's what would happen in the NFL if the best team got to pick first in the draft. Imagine what kind of a team they'd build in a very short time!

I want to give credit to my good friend Harry Dent for this next line of thinking, and I'm compelled to include it because it really helps define the makeup of the generations of people who carry this country ever forward. Harry called one of them the "Bob Hope generation," and it had a particular role to play. You see, the generation

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that preceded it was the Henry Ford generation. They were very innovative, building and discovering new things, new technologies, the assembly line, and all the great inventions that served as the building blocks for many of the things that we use today.

The Bob Hope generation fought World War II and made it safe to live here. And it was Harry Dent who pointed out that these generations alternate. One generation invents and innovates; the next distributes and takes the innovation to the masses. One generation built the assembly line for cars, the next created gigantic car companies. Then came the Baby Boomers, to start the innovation process all over again. It goes without saying that computers, along with an incredibly high-speed Internet, have been the greatest of those achievements and contributions. Next? Maybe it will be a generation that will have computers that work without IT guys. Eventually we'll have a generation of computers that work so well and are so easy to manage that we'll be choosing them by how well they go with our décor, as we do with lamps and telephones.

So here are all of these very smart, very innovative folks in a land where opportunities abound, and there's another new and exciting one waiting around every corner. They take advantage of every one of these opportunities and are now inventing new ways to do things; one in particular is augmenting the human brain: computer networking and wireless digital communication devices. Together these elements facilitate the transmission of information at a speed past generations could not have even imagined.

All this led us to accelerate the speed at which more new innovations could occur. Suddenly our scientists are able to map the gene, and they can go back 15 billion years and look at things through the use of space telescopes and computer modeling. They're no longer limited to the use of their own brains. Every American benefits from the fantastic new ways to communicate with each other. Just like the rivers found in this country allowed a faster means of delivering goods and messages, the rivers of communication now flow at a speed never conceived before.

As the resources increased and improved, naturally, more folks wanted to join in on the fun. The Baby Boomers were the first ones fortunate enough to reap the benefits of all of those improvements in communication and manufacturing and so forth. This was a large generation of people. There were a lot of them to be strong, bright, and innovative. So you can see how things grew exponentially.

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I guess the final word on this country's ability to dominate is this: Many of those other countries and their societies, particularly the Europeans, are traditionally noblemen with deep heritages. They're steeped in their owned strata, and they're basically stuck there. The folks who came over to America, however, were adventurous, ambitious middle-class people. They were merchants who were traveling, trying to develop more trade. Kings and queens and barons and baronesses don't care much about getting out there and developing trade. I guess they're too busy looking at their art. The merchants I spoke of (the middle-class folks) weren't so steeped in their traditions. They were far too busy, out there looking for new and exciting ways to conquer new frontiers and always seeking new adventures. You might say they were the artists, not the art collectors.

Why Things Are Changing

That's a lot of great news. Too good to continue this way forever? Well, let me say this: This generation I've been talking about, these energetic innovators, are, well, frankly they're getting old. And older folks don't have much mental flexibility. They don't particularly like to learn new languages; they don't care for political change. They don't even like to move (or be moved) around much. And once the key to progress becomes technology (instead of rivers), the transfer of knowledge can go anywhere. Like, for instance, to China.

Now, *there's* a place with little arable land, poor roads, and few rivers. So, why all the fuss about China? We Americans have so transformed the world that the new highway of knowledge is the Internet, and China and the rest of the world are using that technology to beat us at our own game. Rich and mature, many of us have a tendency to sit around thinking that we have all the advantages and no one could possibly have a shot at catching up with us. We forget that as we have prospered, we've taught them the game so well that they might become better at the game than we are. Our realization of this fact has been very slow in coming, but it will become clear quickly and suddenly. This book is not about fighting the inevitable; it is about loving it, embracing it, and riding that wave.

The problem for the average wealth of Americans in the near term is the fact that Americans just don't seem to get it. We're not getting the fact that when you print \$12 trillion (that's what we're doing, you know) you weaken yourself. Other people in the world

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are beginning to compete. If we don't get it that you can't make laws dictating that folks buy cars they don't like (made by guys making \$65 bucks an hour), then those folks are going to go out and buy cars that are made elsewhere. We don't seem to understand that when people get fed up and feel too much pressure, they can just up and move their businesses elsewhere.

We also don't seem to get it that you can't reward people for being lazy and slothful, and get the same level of ingenuity and aggression we've become used to over the last couple of hundred years. You can't punish people for being risk takers, because those people are going to either stop being innovative risk takers and/or they're going to go somewhere else and conduct business. We (and I say that collectively) don't seem to understand this stuff. How did we get to this point? How did this all happen? Let me see if I can explain it to you.

The people running just about all of the countries in the world have all been educated in the same places. They've all been attending our Ivy League schools, or Stanford or NYU or USC or the University of Chicago. The Chinese, the Pakistanis, the Japanese—the people running all of the countries around the world—were educated in the same universities in America as were many of our own leaders.

Here's the difference. The people running those countries majored in economics and finance. The people running our country studied political science and law. That's the reason they get it and we don't. That may be a bit metaphorical, and a bit oversimplified, but the bottom line is that's why they get it and we don't. There are other reasons, too.

Take for instance the idea that there have always been communists and socialists—and by the way, the idea of communism is not evil. The idea basically says, "Look, let's make things equal and spread the wealth, and make things fair for everybody." The only reason that idea has been fading, instead of growing and proliferating, is because it hasn't really worked that well.

You've seen it; these guys get into power and make bad decisions and then typically become selfish and corrupt. The idea of spreading the wealth, in and of itself, isn't a bad idea, it just doesn't work. The places where there have been incentives have generally become more productive, that's all.

Look, it's a nice idea. It would be lovely if we could all share and everybody could be equal and happy. My good friend and partner Arthur Laffer has a great story, and I've told it often and sometimes

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forget to give him credit, so this is Arthur's take on a classic tale, ok? It's the one about Robin Hood and his band of merry men. It's a wonderful, romantic story.

Robin Hood is in Sherwood Forest, he's got his green tights on, he's taking from the rich and giving everything to the poor; it's lovely, and he's a lovely guy. He gets the girl, Maid Marian, and it's terrific. And that's what some of our politicians would love to do. (No, not get the girl, that's another story.) They want to spread the wealth. Just like Robin. But there's a problem: How many times do you think those rich noblemen will keep going back through Sherwood Forest once they know Robin Hood is out there? See, that's the problem with this whole story. They rich guys stop coming! They've wised up to being robbed every time they go into Sherwood, so they quit going there!

The point is you can make the rules any way you want to, but if I have the ability through some technological advance to go anywhere I want to, I'm going. If I can use email or whatever to move my entire think-tank to Dubai in a split second, I'm out of here. But some of our politicians just don't get that. They don't get the idea that I've discovered that Robin Hood is laying in wait for me in Sherwood Forest, and so I have wisely found another route. What I don't get is that they don't get it.

Here's another contributing factor that is equally dramatic: a 24-hour cycle of cable TV, non-stop news and information. I participate in it, I love being a part of it, and if it's up to me, I'll never stop being part of it.

The people who run the media have figured out how to make it really interesting and entertaining. They've got beautiful people in beautiful make-up with beautiful smiles and great clothes. So now, you've got millions and millions of people all over the world watching 24-hour news. And it's not just the super-intelligent; everybody is watching, because like I said it's all so entertaining. So look what's happened here in the United States.

This past election is the first time—the first time in *history*—that an election has been determined by people who understand block voting, they understand the primaries, they understand everything about the election and the voting and the counting processes; they even understand the red states and the blue states, because they've studied the processes over and over. They've seen it presented like some sporting event on TV, but guess what? They never studied

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the history of western civilization, they never studied economics, they never studied literature, and they don't know what they were voting for, or who they were voting for, or what he or she stands for.

What's worse, they don't understand the impact of the things that they've said yes to—things that have been tried, but don't work. They don't know this stuff. They think they're going to be able to tax these rich guys, they think they're going to be able to force people to buy union-made cars from Detroit; they think all these things will happen, but they won't. And the reason, as my friend Arthur Laffer so eloquently stated when he gave me his spin on the story of Robin Hood, is that these folks will simply go somewhere else, where life (and doing business) is just not so hard or expensive.

So Let's Review

Indeed, America won the lottery when it came to being the ideal place to create an ideal land of milk and honey. Everything came together. The best and brightest came here. Individualism flourished. There were plenty of resources, plenty of space. We built our roads and railroads, and the Bob Hope generation liberated the world, first by winning World War II and then by mass producing some of the greatest innovations created by the human race. Our baby boom generation followed by inventing a whole new technology. Technology helped augment the human brain and solve virtually all of our problems, or so it seemed.

We now know that resources in the ground are fixed—either you have them or you don't. But with the aid of technology, *ideas* can now be duplicated anywhere. Inventiveness can spread anywhere. People used to come to the United States and learn, and then stay here and build their lives. Now they come here and learn, then go back home to do their inventing and innovating.

As a nation, we're less inventive, less adventurous, and as a nation where the predominant generation is pushing 60, we're less militaristic. We prefer a defense to an offense. And generally speaking, most folks in this country are not as hungry as we as a nation once were. By nature of the fact that you're reading this book, I can only surmise that you're working toward excluding yourself from that group. Well done, Investor 2.0.

So, how do we do this? We emerge from the fog of denial that has us trying to replay the 1990s. We stop feeling threatened by

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innovative, smart, hard-working people around the world who are determined to work harder than we do. We use our capital to develop natural resources to feed their growth, as a couple of billion of them move from the country to the city, following *our* model to build their countries.

The success of technology companies in the 1990s attracted so much capital and created so much capacity in those areas that profits were cut and monopolies were lost, thereby making those very areas less fruitful for investors. Some of those businesses will be fine, but to get my investment dollar today, a company must have a brilliant Asia strategy, no matter where in the world it resides.

You and I will be able to make big money, easily and without that much creativity, by financing the finding, processing, storing and transporting of the building blocks of society—the things you absolutely have to have to move billions of people from the country to the city. Those billions of determined American-lifestyle *wannabees* will need every bit of copper, zinc, cement, platinum, titanium, iron, steel, coal, oil, and pure drinking water that they can lay their hands on, and we've got the resources to help supply them. These kinds of investments are now easy to make with exchange traded funds, structured notes, and bonds. I'll be naming many of the ones I'm committing my money to, and I'll explain strategies you may have never seen or heard before. They're strategies the very rich have had access to for a long time.

You've always had access to everything you'll learn in this book; I've simply compiled it for you, which will at the very least save you a trip to the library. Face it, nobody goes to the library anymore (and we'll talk about that a little later). At any rate, armed with this information, using your capital to finance this most powerful and unstoppable movement in the history of the human race should be a no-brainer. How could you *not* want to own a company that provides inexpensive online education to the Chinese to teach them English, technology skills, and whatever else they need to know to bring hundreds of millions of them into the middle class? How could you not want a piece of a government-owned real estate broker in a country that's preparing to move a group of people equal to the entire population of the United States into new cities? How could you *not*?

We've had some building booms in the United States, and many of us have made some pretty good money participating in them. But

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close your eyes and consider this: In the next 10 years, the Chinese are going to build—from the ground up—the equivalent of New York City, Los Angeles, Chicago, Atlanta, Miami, Phoenix, Houston, Dallas, Fort Worth, Denver, and San Francisco. Where in the world are we—the *cross-border* citizens of this economically borderless planet—ever going to find, mine, and produce enough raw materials to do all that? How are we going to store it or transport it all?

I'll tell you: We are going to need a lot of help. The people in China are going to have to get labor and materials from Australia, Indonesia, South Korea, and Taiwan, as well as South America and Africa. Just think for a minute about how much capital Europeans and Americans used and how much wealth we created building out projects like that over a period of 200 years. And now, think how rich will be those who are instrumental in helping all this happen, when the development is compressed into just a couple of decades! Throughout this book I'm going to talk to you about how you and I are going to provide financing for all this.

As you're reading, keep this picture in your mind. Keep reminding yourself about how those of us who finance this largest social movement that has ever happened are going to make more money than anyone has ever made on this planet before. Think about how much money is going to be made just helping these hundreds of millions—no, these *billions*—of new middle-class citizens of our borderless world get pure drinking water. (You know, of course, that wars are already being fought over drinking water in Africa, and Americans already pay more for a liter of drinking water than they do for the same amount of gasoline! “Just tell them it's from France!” laugh the bottlers.)

You and I already know exactly what these billions of new middle-class citizens of our new borderless world are going to be buying, and we already know how to help them get what they're totally determined to get. There's no doubt they will succeed, so who wouldn't want to help them get there—and be paid very well for doing so?

Welcome to the New World, Investor 2.0

Now, here's an absolutely *crucial* admonition. I don't know anything about you. Some things that are great investments and projects for me may *not* be right for you. You may have special tax, personal, and other factors that I know nothing about. As *the* most up-to-date,

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smartest, *upgraded* investor—as Investor version 2.0—you must get into the habit of evaluating ideas instead of just finding people you can trust to lead you. I'll talk about that a lot in this book, but take this reminder seriously, right here and right now:

Think through the ideas I give you. Don't just go out and commit money to things I'm investing in without taking the responsibility of knowing *exactly* what you're doing. This book is to entertain you, and to condition your mind to take advantage of the huge opportunity that is now open to you. Take my work as a place to start the research to support your evolution into a whole new life form—a new species of investor—a conscious investor who is free of denial, and who actually invests for money instead of self-esteem.

At the very top of the food chain, right now, all the players know that power is synonymous with responsibility. I can promise you with absolute certainty that you will begin to attract great wealth (and not lose it) the minute you decide to be totally responsible for your every thought and action. My life, my happiness, and my wealth are not determined by President Obama, Goldman Sachs, The Fed, The Hedge Funds, The Chinese, or CNBC. You can be equally free, equally powerful, and you can start getting richer, right now.

From this moment forward, take responsibility for every single thing you decide to commit your money to. You have all the time and all the opportunities you could ever need. The very richest people in the world all know this:

Your money belongs in YOUR pocket unless you have something compelling to commit to. The very rich don't feel pressure to hurry up and invest. They know the resource that is most scarce and in most demand is money. They have it, and everyone else needs it. That means they can be very choosy about where they commit.

You can do exactly the same; you can learn to think like a rich person in a world of infinite opportunity, a world without economic borders. And starting right now, today, you're well on your way. Now then, let's see what challenges you're facing.

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