Chapter 1

The War against the Rich

There is only one class in the community that thinks more about money than the rich, and that is the poor. The poor can think of nothing else.

—Oscar Wilde (1854–1900) Irish writer, poet, and playwright

I am normally a very private person. As a global deal maker and financier attending to the investment needs of a very sophisticated and discerning international private and corporate client base, my work requires the utmost discretion. When hundreds of millions of dollars may be involved in a single transaction, wisdom dictates that I not broadcast my movements nor forecast my intentions in the realm of finance. But I am also a warrior. When I see injustice, when I see abuse of power, when I see a bully throwing his weight around and terrorizing innocent people just because he thinks he can get away with it, I am compelled to take action.

The majority of the American people are still grappling with what happened to them and their economy in the fall of 2008. The predominant media, comprised of little more than talking heads who read the daily dominant social theme dished out by their corporate masters, repeat the mantra that while bad things were done by men who behaved inconsiderately, nothing actually illegal took place. It was just an unfortunate and untimely chain of events.

"Yes," they smile with a look of genuine concern "A few people made outrageous sums of money while the overwhelming majority of the American people lost their entire financial nest egg, and that's unfortunate, but that's just the way the market works. You win some. You lose some."

Really? As they say in Beirut, "Kalam Tafeh!"

What happened to this economy was, at the very minimum, a violation of the fiduciary trust and relationship that supports the capitalist free-market system. In the case of a few highly placed individuals, it was a clear conflict of interest, professional malpractice, political malfeasance, fraud, and theft by conversion. In the case of people like Henry Paulson, Ben Bernanke, Timothy Geithner, and several senior managers of the top New York banks, they should be indicted for conspiracy to defraud the American people on a massive scale. These men are, in the opinion of many, financial outlaws who arrogantly believe themselves to be above the law. Until we have a Justice Department that understands and applies the basic concept of rule of law and upholds the U.S. Constitution, this will be an open wound in the collective psyche of all Americans. We will become a nation full of anger, resentment, cynicism, and skepticism. We will cease to be the greatest nation in the history of the world.

That is exactly what I am seeing happening today in America. The public servants who are supposed to be working on our behalf, paid by our tax dollars and charged with working to ensure domestic tranquility and promotion of the general welfare, seem to be alternating between an apparent ambivalence and an adversarial position where our fiscal inquiries are concerned. In the name of correcting the weaknesses in the financial system, these agents of the state have launched a full-blown assault on the true creators of wealth in this nation, while the small group who actually participated in, promoted, and profited from the latest economic crisis have walked away with millions of our dollars in their pockets.

Just Who Am I?

I have dual citizenship and am proud to be an American, but I am of Phoenician lineage. Trading and deal making is in my DNA. The Phoenicians are the ancestors of the modern Lebanese people. Power, money, and influence have been in my family for decades. My uncle, Salem Abdelnour, became a masterful commodities broker. He amassed a substantial fortune and became an accomplished networker and power broker in the Middle East. My father, Khalil Abdelnour, was an industrialist and financier. Both men served as members of Parliament in Lebanon.

Lebanon in the 1950s and 1960s was known as "the Switzerland of the Middle East," a very calm oasis with not a single shred of trouble. Beirut was nicknamed "Paris on the Mediterranean." It was a center for international trade, finance, and education. My family lived in the fashionable, affluent neighborhood in Ashrafieh, later to be known as the heart of the Christian quarters.

During the Lebanese Civil War in the mid-1970s, my younger brothers, Wissam and Hicham, and I were sent to the prestigious Ecole des Roches, a 148-acre estate in the Normandy region of France. I developed many relationships there, which still make a tremendous difference in my life. These friendships have allowed me to experience the true measure of success: being able to have a positive impact in someone else's life for purely altruistic reasons. Many of my fellow students from those days have risen to places of significant power and wealth and have remained my close friends. I am humbled and grateful for the opportunity to play a small but important advisory role in the lives of men whose decisions today shape the world tomorrow.

I returned to Beirut in 1978 to start my graduate studies at the American University of Beirut (AUB). I chose economics as my field of study because I had reached a point in my life where I realized that the whole world revolves around those who control the money. If I was going to succeed in life, I knew I had to get out from the shadows cast by my uncle and my father. I was very popular among my classmates and almost single-minded in my focus to gain knowledge. All of that changed in the spring of 1981. That was when I met Nadia.

Over the next year, I became a changed man. I had come alive and discovered many new and varied interests as my relationship with Nadia grew. I was confident that I had found the love of my life. My father did not share my enthusiasm. We were not a traditional family that believed in arranged marriages or other such customs, but it had been assumed by almost everyone that I would marry a certain young lady who was from one of the most prominent banking families in the Middle East. When I announced to my parents that it was my intention to marry Nadia, it became clear that I had derailed a master plan that had been years in the making. My father informed me, in a very calm and matter-of-fact tone, that it was my life and my choice to make. I was over 21 and free to live my own life—but I would do so living in my own home and on my own money.

I graduated from AUB in early 1982 with a BS in economics. In the fall of that year, I purchased a one-way ticket on a flight bound for the United States with less than $10,000 of my personal savings to my name. There was the possibility of a job in the Credit Management program of Chase Manhattan Bank in New York City. I look back now and am amazed at the audacity of that 22-year-old kid from Beirut.

My first years in New York City were filled with wonder and amazement that I had finally arrived in this place, the center of the financial world. As I worked and learned the business, I pursued my graduate degree. In August 1984, I graduated from the Wharton School of Business with an MBA in finance. Two years later, after a stint with the Wealth Management Group of American Express Bank, Drexel Burnham Lambert hired me to work in its high-yield bond department. After learning all that I could from working at Drexel and spending a decade arranging the financing for and putting together the deals of over 50 private companies in both the United States and emerging markets, I finally formed Blackhawk Partners, Inc., my private family office.

The Richest Man I Know

Forbes magazine has identified Carlos Slim Helú as the richest man in the world. His estimated net worth is more than $74 billion. How did he get this wealthy? He started very young and he earned it. Slim's father, Julian, immigrated to Mexico from Lebanon in 1902 at the age of 14. By the age of 23, he had opened a store in Mexico City selling fabrics, sundries, and simple clothing items. His goods were of good quality; he sold his merchandise at a fair price and always treated his customers with respect. As his business grew, Julian began taking his profits and investing in real estate in downtown Mexico City, anticipating that the business district would be growing. By 1926, he had accumulated enough wealth to be considered affluent. He taught all of his children three basic business principles. The first was to always have a business that provides goods or services that the majority of the people need. Second, always provide good quality at a fair and reasonable price. Finally, tenaciously manage your income and expenses so that you can reinvest your profits into your business.

Carlos has always been adept at multitasking, always looking to leverage his time and always seeking to fully maximize an opportunity. At age 12, he used his allowance to buy shares of stock in a local bank and made money. While attending engineering school, he also taught classes in algebra and linear programming and made money. This technological aptitude led to the formation of a subscription service that provided up-to-the-minute company information to stock market investors. By age 26, Carlos was worth $40 million on paper. He parlayed that into investments in construction, real estate, and mining companies, always striving to fulfill a need while providing quality service for a fair price.

In 1982, when the Mexican economy nearly collapsed, Slim stepped in and used his fortune to purchase a variety of companies that provided basic goods and services and had good management histories. His gamble paid off when the economy rebounded. He was able to buy the Mexican phone company Telmex, combine it with a mobile phone company called Telcel, and expand both to eventually provide dependable, affordable telephone service throughout Latin America. By continually placing his personal wealth at risk and utilizing a disciplined investment strategy based on his father's basic business philosophy, he eventually found himself listed as the richest person in the world.

I happen to know Carlos Slim Helú. He is a humble, sincere, caring man who does not think of himself or his life in terms of how much money he has made. He is more concerned with what he can do with his wealth to improve the world. He has taken a quote by Albert Einstein and made it his life's Mission Statement:

> Only a life lived for others is worth living.

I share these two examples with you not to impress you, but to illustrate that even those who are born into affluence sometimes must risk it all to pursue their dreams. It is also important that you understand that wealth creation is a process that takes place over a period of time, and it can be learned and put into practice by anyone.

Why You Are Not Rich

My intention with this book is to not only shine truth on some of the misconceptions that have been taken as gospel regarding America's economic legacy, but to also provide some insights into ways you can protect and grow your personal wealth and turn around the current situation to your advantage.

The fastest transfer of wealth in the past 20 years was due to a lack of pertinent regulation, artificially low interest rates, and no risk management. Regulators did not pay sufficient heed to the warnings that were raised more than a decade ago. First Greenspan and then Bernanke kept the interest rates low while a new breed of mathematical whiz kid gamblers lured Wall Street into an "easy money" mentality with their algorithms and super computer arbitrage programs. Add to that shady mortgage originators, politically motivated securities underwriters, and sloppy credit rating practices, and you have the perfect conditions for a financial tornado. In the end, they all worked together unknowingly to turn Wall Street into an international casino underwritten by the American taxpayer.

A large and probably unavoidable part of the challenge in today's technology-driven marketplace is that the velocity of money is fueled by such techniques as high-frequency trading, front running, credit default swaps, and collateralized debt obligations (CDOs).

Traditionally, a home mortgage was a loan made by a local banker, and it stayed in the community until it was paid off. The Rule of

Threes was the inside joke in the banking fraternity: borrow money at 3 percent, lend it to home buyers at 3 points higher, and be on the golf course by 3.[1] That all changed in 1970 when the Government National Mortgage Association, now known as Ginnie Mae, introduced the concept of securitization—purchasing mortgage loans from local banks and bundling them into bonds that were then sold to investors through investment banks.

The next step was the development of the collateralized mortgage obligation (CMO), which was created in 1983 by the investment banks of Salomon Brothers and First Boston for U.S. mortgage lender Freddie Mac. The CMO is a stand-alone special-purpose entity that owns a pool of mortgages. Investors buy bonds representing different classes of risk called *tranches*. Return of investment is determined by the structure of the deal, which could be "high risk–first payout" or "first in–first out" or some other arrangement that dictates how money received from the collateral will be distributed.

This led to the development of collaterialized debt obligations (CDOs), a form of structured asset-backed security (ABS) whose value and payments are derived from a portfolio of fixed-income underlying assets, not just mortgages. CDO securities are split into different risk classes, or tranches, where "senior" tranches are considered the safest securities. Interest and principal payments are made in order of seniority, so that junior tranches offer higher semiannual or coupon payments and interest rates or lower prices to compensate for additional default risk.

A CDO is a sophisticated form of an IOU against the cash flow that the CDO collects from the pool of bonds or other assets it owns. If cash collected by the CDO is insufficient to pay all of its investors, the junior tranches suffer losses first.

The financial crisis of 2007 was fueled by the fact that many CDOs were backed by subprime mortgage-backed bonds. When mortgage defaults became a widespread problem, the drawback of CDO investors contributed to the collapse of certain structured investments held by major investment banks and the bankruptcy of several subprime lenders. It also did not help that global investors began to discover that the AAA-rated bonds in which they thought they were investing were really a bundle of BBB investments with the patina of an AAA rating. In other words, wholesale institutional fraud facilitated in large part by the same ratings agencies who so piously downgraded the nation's credit rating.

Historical safeguards like regulatory agencies and credible rating agencies that were created to protect the integrity of the financial system have been compromised by the large Wall Street firms and their drinking buddies in the federal government. The swift prosecution of fiscal malfeasance and political corruption, which used to be the expected response to such bait-and-switch con games, has apparently been sidelined. The federal government and the largest financial institutions seem to have been totally co-opted by a group of elitists running an open larceny ring, seemingly oblivious to the pain and suffering they are wreaking upon the public and ignoring any fiduciary responsibility they had to their investors. It is like the old spaghetti western where the gang of banditos has taken over the village and is laughing while they loot the bank, drink all of the booze, and bully the villagers. What we have now is definitely not free-market capitalism. It is a reign of financial terror.

The Federal Reserve was created to prevent banking panics and wide swings in the economy by holding inflation in check and protecting the value of our currency. It was given autonomy to protect it from political influence; in other words, politicians couldn't give away economic perks just to get reelected. The Fed has strongly resisted any effort to apply any kind of oversight to its activities by claiming they are attempts to politicize the Fed, but let's look at the record.

Almost every Fed chairman in the past 60 years has manipulated interest rates to brighten the economic outlook for incumbent presidents or newly elected presidents who won by large margins. The purchasing power of the U.S. dollar has fallen 94 percent in the past 100 years. The only way you can create inflation is by creating more money that is backed by the same reserve assets; the Fed is the only entity that can create more money. Ben Bernanke's quantitative easing (QE) programs have pumped billions of unfunded dollars into the economy, thereby setting us up for massive inflation in the very near future. If this isn't a form of financial terrorism, it is incompetence of the highest order.

A body cannot function properly nor experience its full potential when it is laboring under the growing infestation of parasites. In the same way, America will never reach the zenith of freedom and prosperity that is the birthright of every one of its citizens as long as we allow ourselves to be governed by those who feel they have a mandate to take what isn't theirs and to appropriate what they haven't earned.

When you combine unrepentant bankers, incompetent politicians, and the legion of special-interest moochers who could not operate without a government stipend, you end up with a national economy that has been beaten, abused, and depleted of all vitality.

We are on the edge of economic collapse unless we wake up and forcibly take back control of our government and economy. Over the past 100 years, the game has been rigged, slowly and piecemeal at first, always in the name of serving the greater good, preventing the next bubble or providing greater transparency and security. It is as if the American people are suffering from battered spouse syndrome; the politicians, the greedy bankers, and the Fed all lie to us while they steal our wealth and our liberty. Every time we call them on it, they promise to never do it again if we'll just give them one more chance. So we let it slide and then act shocked when they do it to us again. Maybe we should have our collective head examined.

Who Are the Rich and Why Should You Care about Them?

It is an oft-repeated axiom that a person can learn a whole lot about a society by how it treats its poor; but just as much may be learned by looking at how that same society treats its rich. Indeed, the economic future of the poor—and our nation—will be determined in the coming decades by how we treat the people in this country who create great wealth. It will be determined by our understanding of the so-called rich and by our need to foster and protect this minority of true wealth creators.

It is an unpopular thing to say, I know. Rich people need help? Rich people need to be protected? Rich people a minority?

"Give me a break," people say. "They just seem to keep getting richer!"

I am talking here about the entrepreneur who risks all of the capital he can muster from his family and friends to build a company that fills an underserved niche in the market, provides a needed service, or develops a new technology. These are the people the plundering bureaucrats and career politicians have deemed "the rich." These are the people they have targeted for appropriation to support their unsustainable way of life.

In their narrow view of the world, rich people become "rich" by either inheriting their money or appropriating wealth through manipulation of the system with their cronies, or are self-made entrepreneurs. The first group is so small that they don't really matter. The second group is easy for the bureaucrats to intimidate and the politicians to plunder with ever-widening regulations and more oppressive oversight; but, again, there are not that many people who fall into the crony-capitalist category. The overwhelming majority of people I refer to as "the rich" are independent-minded, maverick entrepreneurs and business owners who risk their own capital, sweat, and tears to provide a good or service of value to the world around them.

Regrettably, too many Americans, and far too many of the intellectuals and politicians, understand neither these people we call "the rich" nor the methods they have used to become rich in the first place. Did hedge fund managers and investment bankers game the system and walk off with a lot of money? Yes. But, again, having a lot of money no more makes you rich than growing up next door to the Greenwich Country Club gives you class. The rich are people like Bill Gates, Warren Buffett, Larry Page and Sergey Brin, and Michael Dell. They have provided value to the world and been rewarded for their efforts. They also know, better than the federal government, how they should best utilize that wealth.

Most people don't think they actually know anyone who is truly rich. Not really. They experience them in the abstract, through magazine articles, newspaper stories, or *Lifestyles of the Rich and Famous* clips. They catch a glimpse into their psyches through statements they make in the media or interpretations of their latest business maneuver. They try to quantify their importance in their own lives by studying policy statements and annual reports or poring over ratings and statistics that rank their net worth and their influence; but the study and the analysis is always through the prism of someone else's ideological lens. In that respect, our opinions about the rich are a sort of societal inkblot test, revealing more about ourselves than anything else. Our analysis of the raw data confirms our deeply held notions about the rich and, in the end, has more to do with our views on capitalism itself.

Those who are vested in the philosophy of the Left, believing capitalism creates unfair outcomes, have statistics to confirm their outlook. It seems absurd on its face that the top 1 percent of American families control 90 percent of the nation's wealth. Wouldn't it be possible, they ask, to contrive an economy that is just as prosperous but with a fairer distribution of wealth? Couldn't we cap the earnings of the rich at $50 million? Or even $100 million? The defenders of capitalism and free markets on the Right say "no." They contend that the bizarre inequalities we see are an indispensable part of the processes that create wealth. They imply that capitalism doesn't make sense, morally or rationally, but it does make wealth. So don't knock it, they say.

What nonsense! It has very little to do with the reality of the rich. It is really quite sad that defenders of the rich or even the rich themselves can't come up with a better economic or moral case! Quoting Adam Smith and supply side economists just doesn't cut it.

American novelist and homespun philosopher Mark Twain reportedly noted that a person can lie with the numbers but the numbers don't lie. The rich have most of the money. That's why they are called "the rich."

So who are the rich? Having spent a lifetime working with some of these people to create and preserve their wealth, I believe I am qualified to explain who they are, where they come from, and why you should care about preserving their wealth and protecting their desire to hold on to it.

The Millionaire down the Street

To begin with, you probably won't find many rich people in the Who's Who or Most Likely to Succeed lists compiled during their high school or college days. They probably didn't get the highest SAT or ACT scores in high school, and they probably weren't considered a member of the popular clique by their classmates. They are certainly not the best looking, and they probably didn't get where they got through the force of their personalities, charisma, or celebrity. A great number of the richest among us never finished high school, and many who did manage to get into college never graduated. That's because the rich in this country are chosen not by blood, credentials, education, or service to the establishment. The rich become rich based on their performance and their relentless desire to serve the customer. The entrepreneurial knowledge that is the crux of wealth creation has little to do with glamorous work or with the certified expertise of advanced degrees.

Great wealth rarely comes from speculating and creating nothing. The John Paulsons of the world are a very small and very lucky group. Most major wealth creation comes from doing what other people consider insufferably boring: navigating the tedious intricacies of software languages, designing more efficient garbage collection routes, or designing a system for stocking fresh products on the shelves in grocery stores is not glamorous. These people don't immediately conjure images of mansions, limousines, and vacations in the hottest spots of the world in Gstaad, Monte Carlo, or Cabo San Lucas. Improving the speed and efficiency of butchering livestock, customizing insurance policies, or tramping the wilderness in search of petroleum leases seem far removed from the glamorous life. Memorizing building codes, speeding up the delivery of a hot pizza, or hawking pet supplies all seem like mundane and tedious tasks, but these are all paths that individuals have taken up the mountain of accumulating wealth in America. In short, America's best entrepreneurs usually perform work that others overlook or spurn. They do it better, faster, and at a better price than the competition. For that, they become the rich.

Because these men and women often overthrow rather than embrace established norms, the richest among us are usually considered rebels and outsiders. Often, they come from places like Omaha, Nebraska; Blackfoot, Idaho; or Mission Hills, Kansas—places usually mentioned in New York either with a condescending smirk or as the punch line of a comedy routine. From Henry Ford to Apple cofounder

Steve Wozniak, much of America's greatest wealth creators began in the "skunk works" of their trades, with their hands on the intricate machinery that would determine the fate of their companies. Bill Gates began by mastering the tedious intricacies of programming languages. Sam Walton began with a nickel-and-dime Ben Franklin variety store in Newport, Arkansas. Larry Page became the first kid in his elementary school to turn in an assignment from a word processor because his parents were both computer science professors at Michigan State University. Familiarity with the core material, the grit and grease, the petty tedium of their businesses liberates entrepreneurs from the grip of conventional methods and gives them the insight and confidence to turn their industries in new directions.

The truth is that great wealth is often created by the launching of great surprises, not by the launching of great enterprises. Unpredictability is a fundamental part of great wealth creation, and, as such, it defies every econometric model or centralized planner's vision. It makes no sense to most professors, who attain their positions by the systematic acquisition of credentials pleasing to the fraternity of their peers. By their very definition, innovations cannot be planned.

From the outside looking in, one would assume that once wealth is acquired, life becomes one endless vacation full of idle play and relaxation. One would be quite wrong. The richest among us are faced with another equally daunting task once they have accumulated great wealth. Just as a pot of honey attracts flies as well as bears, it doesn't take long for a seemingly endless stream of bureaucrats, politicians, raiders, robbers, relatives, short-sellers, long talkers, managers, missionaries, and manipulators to come calling. They all have this strange notion that they can spend your money better than you can and are somehow entitled to a portion of your money for granting you the privilege of their expertise. They are, for the most part, leeches, con artists, and moochers.

Leading entrepreneurs in general consume only a tiny portion of their holdings. They are often owners and investors. As owners, they are initially damaged the most by mismanagement or exploitation or waste of their wealth. Only the person who created the wealth has a true appreciation of its value and what it represents. As long as Steve Jobs was in charge of Apple, it grew in value; but put some random manager in charge of Apple, and within minutes, the company would be worth significantly less than its present value. This was proven most effectively when Jobs was replaced by John Sculley; the Apple board could not get Jobs back fast enough. As companies such as Oracle, Lotus, and Google have discovered, a software or tech stock can lose most of its worth in minutes if fashions shift or investors question management decisions.

A Harvard Business School study recently showed that even when you put "professional management" at the helm of great wealth, value is likely to grow less rapidly than if you give owners the real control. A manager of Google might benefit from turning it into his own special preserve, making self-indulgent "investments" in company planes or favored foundations that are in fact his own disguised consumption. It is only Sergey Brin and Larry Page who would see their respective wealth drop catastrophically if they began to focus less on their customers than on their own consumption. The key to their great wealth is their resolution not to spend or abandon it, but to continue using it in the service of others. They are as much the servants *to* as the masters *of* Google.

This is the other secret of the richest among us and of capitalism itself. Under capitalism, wealth is less a stock of goods than a flow of ideas. Economist Joseph Schumpeter set the basic parameters when he declared capitalism "a form of change" that "never can be stationary." The landscape of capitalism may seem solid and settled and ready for seizure, but capitalism is really a mindscape.[2] Volatile and shifting ideas, and the human beings behind them, are the source of our nation's wealth, not heavy and entrenched establishments. There is no tax web or bureaucratic net that can catch the fleeting thoughts of the greatest entrepreneurs of our past or our future.

The Socialist Fallacy

Socialist regimes try to guarantee the availability of material things rather than the ownership of them. They use such terms as *distribution of income* to introduce the ridiculous notion that everyone should be paid "fairly" instead of rewarded for the amount of risk they are willing to take with their own capital and resources. Today's college students are being indoctrinated with the notion that socialism can succeed this time if everyone just works together. This is in spite of the overwhelming historical evidence that socialism has never worked beyond a small, tightly controlled community of either like-minded or fully coerced participants. They are not being told that socialism had its roots in an authoritarian regime.[3] That is the only way socialist policies can succeed on any scale.

British statesman Winston Churchill said:

> Socialism is a philosophy of failure, the creed of ignorance, and the gospel of envy, its inherent virtue is the equal sharing of misery.

Socialism tends to destroy wealth. Socialism does this by draining its vitality away. It does this by destroying the desirability of wealth as a wholesome value. Socialism kills the chance that any community can survive by browbeating the concept of vested ownership, on which community survival is always dependent in the end.

In the United States, the government has traditionally guaranteed only the right of people to own property, not the worth of it. The belief that wealth consists not in ideas, attitudes, moral codes, and mental disciplines but in definable and static things that can be seized and redistributed is a materialist superstition. It made the works of Marx and other prophets of violence and envy seem childish, even silly. It betrays every person who seeks to redistribute wealth by coercion. It balks every socialist revolutionary or union organizer who imagines that by seizing the so-called means of production he can capture the crucial capital of an economy. It baffles nearly all aggregators who believe they can safely enter new industries by buying rather than by learning them. Capitalist means of production are not land, labor, or even the capital itself. They are ideas and inspiration. Unless we are ready to enter Huxley's *Brave New World,* talk of redistributing wealth is nothing more than fantastic nonsense. Do the fantasy; give the employees or government or union the factory or hotel or restaurant, and in five years everything will be a mess and most of the jobs will be lost, forever.

The wealth of America isn't an inventory of goods; it's an organic, living entity, a fragile, pulsing fabric of ideas, expectations, loyalties, moral commitments, visions, and people. To slice it up like an apple pie and redistribute it would destroy it just as surely as trying to share Stephen Hawking's intellect by sharing slices of his brain would surely kill him. As Mitterrand's French technocrats found early in the 1980s, the proud new socialist owners of complex systems of wealth soon learn they are administering an industrial corpse rather than a growing corporation. That is why the single most important economic issue of our time, one that directly impacts the poor and middle class alike, is how we treat the very rich among us.

If the majority of Americans smear, harass, overtax, and maliciously regulate this minority of wealth creators, our politicians will be shocked and horrified to discover how swiftly the physical tokens of the means of production collapse into so much corroded wire, eroding concrete, and scrap metal. They will be amazed at how quickly the wealth of America is either destroyed or flees to other countries.

This book will hopefully prevent such a disastrous end to the Great American Experiment by not only revealing where and when we have gone off track, but also provide some real-world solutions for restoring the hope for a better tomorrow and reviving the willingness of people to believe that they have the ability to make their lives better.

There is a scripture that says, "My people perish for lack of vision." The socialist influence that has turned our education system into an indoctrination process with its emphasis on political correctness over political science and economic justice over economics is slowly but relentlessly producing a nation of drones, unable to dream, incapable of embracing individuality, and abhorrent of acting upon such basic instincts as self-interest and individual sovereignty. I hope to provide an alternative argument that will persuade you to take the actions necessary to preserve American exceptionalism and liberty.

Can We Separate Economics and Politics?

Some people criticize the injection of politics into economic discussions, but economic historians tell us that economists used to understand

and accept that economics is wholly interrelated with politics because politics and economics are mutually inclusive and reactive.

Progressive economists have artificially tried to somehow separate the two, like Descartes tried to separate the mind from the body. Adam Smith, the father of modern economics, talked a lot about politics in relation to economics. The reality is that mainstream, neoclassical economists preach that politics is an irrelevant and separate topic because they are either emotionally and intellectually vested in wholly discredited models or locked in the paradox that it is difficult to get a man to understand something when his livelihood depends on his not understanding it.

It is fairly obvious that we cannot discuss our economy or make investing decisions without addressing politics. In the real world, political decisions determine who gets bailed out and who doesn't, who stays afloat and who goes under, who gets rewarded and who gets prosecuted. That is an acceptable process as long as it occurs in an environment of truth and justice, supported by the rule of law. Unfortunately, there currently seems to be an aversion to prosecuting anyone who commits a financial crime, especially if they are part of the small gang of greed-driven bankers who nearly took the system down. Even then, when there are prosecutions, punishments seem to be very arbitrary; some get hit hard, while some get just a slap on the wrist. Some even get a pat on the back, like Paulson after screaming, "The sky is falling!," and then using the Troubled Asset Relief Program (TARP) to bail out the bad bets that his buddies had made in the market. The thugs of the Service Employees International Union (SEIU) brutally beat up a bystander who voiced opposition to their demands to the nonexistent right to collective bargaining. It is captured on camera and shown on the nightly news, but the ineffectual Justice Department looks the other way. The New Black Panthers get captured on video intimidating voters at a polling place in Philadelphia, perpetrating voter intimidation in open and notorious violation of the Voter Rights Act, while the feckless and racially biased attorney general decides it is inappropriate to prosecute. This has led, unfortunately, to an alarming rise in national cynicism and a growing lack of trust in the veracity and fidelity of the federal government.

To say we are on the verge of an economic meltdown is not a wholly inappropriate analogy. While the media cheerleaders would like everyone to believe that the current indicators are suggesting, as of this writing, that the American economy is recovering from the Great Recession of 2007–2008, the Average Joe on the street knows it isn't true. The recession, which started in 2007, is ongoing. The underlying fundamental causes of the meltdown have not been addressed. Banks are still not lending. Companies are still not hiring. Congress has still not seriously addressed the growing debt. Neither has Congress checked its own out-of-control spending. The much lauded reforms installed by Frank-Dodd are nothing more than another expansion of federal government control over the engines of wealth creation.

What is going on here?

Notes

1. Scott Patterson, *The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It* (New York: Crown Business, 2010), 186.
2. George Gilder, "The Enigma of Entrepreneurial Wealth," *from Recapturing the Spirit of Enterprise* (Richmond, CA: ICS Press, 1992). Retrieved from www.inc.com/magazine/19921001/4341_pagen_5.html.
3. F. A. Hayek and Bruce Caldwell, eds., *The Road to Serfdom* (London: University of Chicago Press, 2007), 76.