

## INTRODUCTION

# ON THE BRINK OF PROSPERITY

MY PERSPECTIVE on money crystallized decades ago when I read the story of a young man who trained to live alone in the woods. When he was thoroughly prepared, a friend dropped him off in the New Jersey Pine Barrens, where he disrobed and slipped into the woods without even a knife. That evening he was eating a rabbit he'd killed with a stone, cooking it on a fire he'd started by hand. In just a few days, he had the clothes and shelter he needed.

He lived this way for an entire year before making his way to a road to hitchhike back to civilization. As he stood on the side of the road, he watched a garbage truck roar past, spewing trash and fumes. He turned around to spend another year in the woods before returning home.

I read about this young man when I too was young and contemplating living off the land. As I mulled the idea over, it occurred to me that if I were a hermit living in the woods, money would no longer have any value to me. The only thing that would matter would be the resources and skills necessary for my survival.

It fascinated me to think that if I were to discover a motherlode of gold while living alone, the gold would be useless to me unless I returned to civilization, as gold's value to me was only the value of gold to others. I realized that it was the same for money. Money's value to me was only the value of money to others.

Thus, one might conclude what many others have—that money is merely “a matter of agreement.” But then one would be missing an even greater point; there must be things of intrinsic value before money can have value. For our agreement on money is not an agreement that money has value in and of itself, but an agreement that we will accept money in exchange for those things that do have intrinsic value.

Thus, our standard of living is defined by our access to those things that have intrinsic value, not by money. We'd ascertain the standard of living of an alien civilization by observing their lifestyle, not by seeing how much money they have. If you watch Star Trek, for example, you see how advanced their civilization is by observing what they do. They dash around in spaceships, beam to the surface of planets, and make things out of thin air with replicators. How much money Captain Kirk earns is irrelevant.

Even the richest men today have no ability to fly about the galaxy at warp speed, just as the richest kings of the past could not fly across the Atlantic in a plane. In fact, none of them could make a cell phone call, go online, drive a car, or do any of the things that you or I take for granted. So, who would you deem to be wealthier: Captain Kirk, you, or Napoleon? The answer has nothing to do with money.

The point of this book, then, is to look at economic policy from the perspective of how we can improve our standard of living. To do this, we must explore what our standard of living means, from a personal perspective as well as from a collective perspective.

Henry David Thoreau, for example, decided wealth meant how much leisure time he had to read, walk in the woods, enjoy the company of a friend, and relax. He measured the time and effort he spent to secure food, shelter, and clothing as a ratio to his leisure time. Based on his calculations, Thoreau concluded he was one of the wealthiest men around.

What is your work to leisure ratio? I wonder if Thoreau would feel he were better off than we are today. Would it impress him to know that we can go online whenever we want to enjoy photos of the heavens taken from the Hubble or James Webb telescopes? What value would he place on a flight across the nation, a modern home, or scuba diving on a beautiful reef? Would he see these things as being worth our collective efforts over the generations?

And on the other hand, how did you feel about the young man in the pine barrens? Would you like to live off the land as he did? Would it thrill you to have no debt? What would it be worth to you to watch the stars sweeping the sky at night with only the sound of the wind in the pines? Based on your values, do you consider that young man to be wealthier than you, or dirt poor?

There is the interplay of two very different economies in the above discussion. It is the interrelationship between these two economies that is the subject of this book. There is the monetary economy, which is the movement of money and the issuance and trading of financial assets. And there is the material economy, which is the production and consumption of goods and services.

In this book we will see how the monetary economy is an operating system that services the material economy. And since it is the material economy that defines our standard of living, not the monetary economy, we will endeavor to understand how the monetary economy can do a better job of facilitating production in the material economy. Thus, we will explore how the interrelationship between the two economies can be upgraded to improve the quality of our lives.

A primary premise of this book is that we are standing on the brink of unprecedented prosperity in our material economy today because of technology. The counter premise to this that our monetary economy is rapidly eroding our prospects for prosperity. It is the best of times, it is the worst of times.

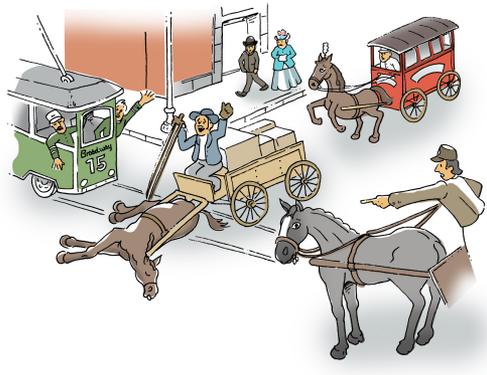
As you read this book, you will be surprised at how nonpartisan the solutions to this problem are. True solutions benefit everyone and are a win across the entire political spectrum, which stands in stark contrast to today's politics in which everyone loses.

To understand why we are in such a quagmire today, imagine a sunny field and seeing archers pour into the field

with their quivers full of arrows. Imagine them shooting their arrows into the ground, into each other, and into the forest around the field. Notice how no one ever sees the target standing squarely in the field.

That is partisan politics today. It is the news you watch and the pundits filling your heart with nonsense. When you read this book, you will see the target in the field, and you will see why we have been without solutions for so long.

We have been looking at our economic problems with the same limited perspective that we had when we wrung our hands over the horses crowding our cities in 1900. At the time, four million pounds of manure piled up in New York City each day. It piled up faster than it could be hauled away. Plus, there was not enough room to rest the horses. At the height of the problem, 15,000 horses dropped dead from exhaustion each year, snarling traffic, and adding to the stench of the city.



In response to the public outcry, New York's leaders convened a conference of world experts to solve what they billed a global crisis. To everyone's dismay, the conference ended in utter failure. The experts declared there was no answer to the problem. As it turned out, they were shooting their arrows into the ground, just like the people you listen to today.

Today, it is hard for us to understand how the experts could have missed the automobile as being the solution to our problem with horses since there were already cars on the road when the conference was held. Some attendees must have even ridden in the new-fangled contraptions on their way to the conference, yet none saw them as being the answer. Instead, the paradigm shift took place on its own, and then what was once an intractable problem simply disappeared.

Just as the car solved our problem with horses, this book presents solutions that solve our economic problems today. Someday we may forget that we once had to pay high taxes, our nation had a growing deficit, and we owed over thirty trillion dollars in national debt. We may even forget that the costs of housing, college, and healthcare were ever problems. Even the appalling fact that half our citizens ever endured a marginal standard of living may become a distant memory.

For a clue as to how we are misreading our problems, let's consider deficit spending, the fact that our government spends more than it generates in revenue. Think for a moment that if we really could not afford all the schools, roads, and military aircraft we build each year in our material economy, we would run out of human and natural resources before our projects were completed.

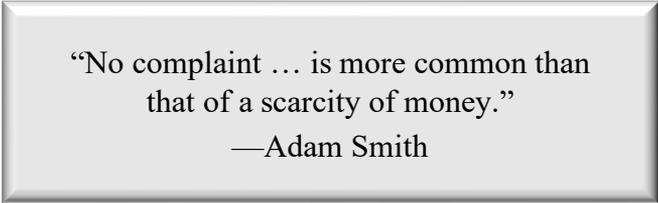
The fact that this does not happen demonstrates that we do have the resources we need. We have a deficit today, not because we are spending beyond our means, but because there is something wrong with how we are paying for such projects. As you will see later in this book, we can afford more than we spend today, and we can enjoy a tax cut, all while balancing the budget.

I saw our "lack of money" problem in a new light when I met Alan Stern, who led our nation's mission to Pluto. At dinner, Alan explained that the most challenging aspect of the mission was *financing* the project. Think about that. His

team tackled a project at the very limits of human ability, yet their biggest challenge was obtaining the money they needed. Alan's remarks did not surprise me. I have seen many viable projects fail for lack of money.

I asked him what the limits to space exploration would be if money was not an issue. Could we launch a new probe to Pluto every year? "Of course, we could!" he replied, "that would be easy! We just don't have the money." And, in fact, we do not have any more missions to Pluto planned, simply because we cannot afford to.

This begs an important question, doesn't it? Have you ever stopped to wonder what life would be like if we solved our nation's money problem? For that is the purpose of this book—to solve our nation's money problem.<sup>1</sup>



“No complaint ... is more common than  
that of a scarcity of money.”  
—Adam Smith

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<sup>1</sup> The next two chapters build the foundation for the how and why behind the solutions in this book. The solutions are presented in chapters three through seven.