Where Did All the Money Go?
Agenda for a New Economy Author Spells Out Problems and Solutions

by Marla Reidelbach
Here's an interesting exercise: climb into your Wayback Machine and go back about four years ago. Remember how everyone was buying enormous vehicles and huge houses? Or taking out home improvement loans on the equity that suddenly appeared as home values shot up? Or watching nest eggs, safely invested in the stock market, grow and go grow?

Then, within the space of a year or so, that all changed. What happened to all that money? It disappeared quickly. But what is money? When it's being used to pay rent or buy food, it seems so tangible, but how can it just evaporate?

I've been reading books on economics for several years now in an attempt to get a grip on the subject. I don't know why everyone thinks economics is dry—money is pretty interesting. There are some great books out there. "Tales of an Economic Hit Man" by John Perkins got me started, followed by "The End of Economy" by Robert Reich.

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I needed to learn more about basic economics so I read "The Undercover Economist" by Tim Harford—but I didn't know that Starbucks' most expensive drink (to produce) is black coffee? (Everything they add to it is cheaper, but they can charge more.) And from that book, I also learned about externalities costs—those are the costs that producers seldom pay, but we do (like paying cost of pollution coming from cars in the form of health and environmental problems). I followed that up with "Freakonomics", another very readable tome, by Steven D. Levitt and Stephen J. Dubner, which has become a franchise with spinoff books and radio, and "Calculated Risks" by Gerd Gigerenzer, which helps explain statistics as they relate to real life—did you know that 1 in 360,000 people have the same fingerprint?

Then I thought I'd switch the emphasis to no money, and I read "Free: How Today's Smartest Businesses Profit by Giving Something for Nothing" by Chris Anderson, learning about "freemiums" and other strategic giveaways.

Most recently I finished the truly amazing "Precious: The Myth of Fair Value and How to Take Advantage of It" by William Poundstone, which uses history and other science to show how numbers behave very peculiarly in the human brain. For instance, the number 9 at the end of a price actually does exercise a certain universal allure, and scientific studies show that humans are more likely to buy an object with a dollar price that ends in 9. Even humans who consciously round up. Even you, me, even me...

But the best book about economics I've read so far, by far, is "Agenda for a New Economy: From Phantom Wealth to Real Wealth" by David C. Korten. This book has a fascinating history of the economic system in place in the US today, tracing our present system back to imperial times, and agreements that the monarchy had with pirates and privateers. But more important, it's got an astounding analysis of our present economic situation and well drawn ideas for curing the current problems and moving into the future.

Korten is an experienced and learned guide, with advanced degrees in business from Stanford and 35 years working in the field, military service in Vietnam, 15 years in Asia as a Ford Foundation project specialist, and much more.

continued on page 4