

## **PREFACE**

Imagine yourself the captain of a cruise liner, steaming through dense fog somewhere off the Alaska coast. You'd better know what you're doing! The safe handling of a vessel on the high seas requires a detailed knowledge of navigation techniques, proper seamanship, weather forecasting and the "Rules of the Road" - a set of internationally-accepted rules designed to assure safe navigation anywhere in the world. Included are rules by which ships shall sound their horns using combinations of short and long blasts to signal to each other their intentions: on which side of the other's ship you intend to pass, when your engines are in reverse for getting under way from a dock and for warning of the imminent danger of collision. This last signal consists of five short blasts. It is reserved for grave situations and is not to be used lightly.

Like the nervous passengers on that ship, steaming through a thick fog bank, Americans today have a sense of foreboding, of something ominous lurking just out of sight, especially in regards to their financial security. In spite of government and financial data that depicts a healthy, growing economy, their own experiences, all too often, tell them something different.

Like most people, you may be puzzled by the contradictions between your own, individual reality and the macroeconomic one portrayed in the financial pages. The Labor Department reports that unemployment isn't getting worse or may even be improving, but it seems harder to find a job, at least one that pays a decent

wage and benefits. They report that average wages are going up, but your employer has either cut yours or has at least delayed any raises. Each month they report the creation of tens of thousands or even hundreds of thousands of new jobs, but you live in dread fear of job cuts, downsizing and bankruptcy. Every time you hear another report of how well the economy is doing, you see another contradiction. If the economy is doing so well, why is your state cutting services in order to eliminate its budget deficit? Why is your local school district cutting teachers in order to balance the budget? Why are pension plans, both public and private, going broke? For that matter, why is the government agency that insures these plans billions of dollars in the red itself?

What is most worrisome is that there seem to be no solutions to these problems. We've oscillated back and forth between the approaches of the left, the right and the center. Tax cuts, tax increases, spending cuts, new spending programs, job training programs - we've tried them all, more than once, and still our problems grow. Now these "solutions" seem tired and impotent. There is a growing sense that they don't make any real difference. Americans are becoming frustrated, disillusioned and cynical.

Things weren't always like this. Until the last few decades, this was a land of seemingly limitless opportunity. We used to take for granted that there would be certain rewards for a life of hard work - a financially-secure retirement, college education for our kids, access to affordable health care - but no more. And none of the financial problems that our country faces, like budget deficits and the national debt, ever seem to be resolved. They're simply swept under the rug - problems to be faced in the future by another generation. Where did we go wrong?

Consider this: in any field where we have thousands or even millions of the best minds working toward improvements, shouldn't we expect to see results? Shouldn't things actually get better? For example, we have many thousands of people working in medical research in America and we can see positive results. Although affordability is an issue, we see real improvements in

medical technology - huge strides in conquering nearly every disease that we face – and a corresponding increase in life expectancy. Similarly, we have millions of engineers and researchers working on the development of and improvements to every kind of product and, again, we see tangible results – incredible advances in computer and communications technology and in virtually every product imaginable.

So why is it not the same with economics? We also have many economists at work in both the public and private sectors. Yet, in especially this one area, the results don't measure up. Our national debt is growing exponentially and, in spite of improvements in the macroeconomic indicators, Americans' household finances have been in a slow, decades-long decline. What's going on here? What is it about “economics” and “economists?” Is it possible that they're missing something? Doesn't it feel like they are?

Trust your feelings. Indeed they are missing something – something very subtle and yet so profound that it influences everything from the global economy to your own check book and your quality of life.

That's a rather bold claim for even the most prominent economist to make. And I'm not even an economist. My education and background are in engineering and manufacturing. On the surface, I would seem to have no qualifications whatsoever to profess to be any sort of expert in economics, much less to claim discovery of a powerful new theory in this field. But maybe that's to my benefit. Maybe, without the constraints of a formal education in economics, a field that has largely evolved through centuries of observation of what works and what doesn't, I was able to stand back and make my own observations. Maybe it was inspiration or perhaps just dumb luck that such an idea should pop into my head.

You're probably quite skeptical at this moment. I only ask that you read on with an open mind as I share with you how I got involved in this subject and developed this theory. I'll explain in

easy-to-understand terms how it works and how it directly affects your financial well-being, and how America's economic downward spiral might be reversed. Then decide for yourself whether or not I'm truly on to something. If you're someone whose job, pay or benefits – even your very quality of life - has fallen victim, and if you find yourself agreeing with my theory, then I believe that you'll begin to see the world in an entirely new light and will finally understand why your reality doesn't match the rosy picture that our economists have painted. Armed with such knowledge, perhaps you and millions of others like you can, through your collective political clout, begin to force a change.

So, read on! It's time to switch on the radar and burn through the fog of economics. When you do, you'll see that we are, indeed, hurtling headlong into a collision between subtle but powerful forces. The impact of this collision is already rippling through our economy and our children and grandchildren will surely bear the brunt if we continue on this course.

I am sounding five short blasts!