

An
EMBARRASSMENT
of
RICHES

*Tapping Into the World's Greatest
Legacy of Wealth*



ALEXANDER GREEN
NEW YORK TIMES BESTSELLING AUTHOR

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AN
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Greatest Legacy of Wealth*

ALEXANDER GREEN

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*This book is dedicated to the memory of Anna Compton
Taylor*

The good life is a process, not a state of being. It is a direction, not a destination.

—Carl Rogers

PREFACE

You may not know it, but you are one of the richest human beings ever to walk the face of the earth. Though you have done nothing to earn or particularly deserve it, you are the inheritor of an incredible legacy of wealth, a genuine embarrassment of riches.

This may seem a bit presumptuous. After all, I probably don't know you personally. And even if I do, I haven't taken a peek at your bank accounts, brokerage statements, or 401(k). I haven't seen your home, what you drive, or how much you own. And your income, assets, and liabilities are really none of my business. Yet I still know you to be exceedingly rich. If you're skeptical, I understand. Like a lottery winner whose ticket is lost in some upstairs drawer, you can't claim your fortune—or appreciate it—if you aren't aware of it.

I will make my argument in the Introduction and offer supporting proof in the more than fifty essays that follow. Along the way, you'll discover that your life is richer, fuller, more beautiful, and far more fortunate than you previously imagined. If I do my job, you won't only feel wealthier but profoundly grateful.

So let me make my case . . .

INTRODUCTION

Everyone thinks about money. Few think about it more than I do.

That's not because I'm selfish, greedy, and materialistic. (Okay, *maybe a little.*) At various times over the past three decades, I've worked as a research analyst, stockbroker, investment adviser, portfolio manager, and financial writer.

Today, I am the Chief Investment Strategist of the Oxford Club, a private investment club dedicated to helping investors achieve and maintain financial independence. And we've had some success. The independent *Hulbert Financial Digest* has ranked the investment letter I direct—*The Oxford Communique*—among the best-performing newsletters in the nation for more than a decade now.

Wealth, of course, is a subject that interests almost everyone. Money makes things happen; it gives us choices. Since few want to live circumscribed lives, the pursuit of wealth is universal. Money allows us to achieve our dreams, whether you define that as education, opportunity, independence, luxury, security, or peace of mind. It's freedom, power, and opportunity rolled into one. As a result, there is a huge market for financial advice—and I'm fortunate to have a few hundred thousand readers who tune in regularly. Almost every day I can be found—either online or in print—weighing in on stocks, bonds, funds, interest rates, currencies, or commodities.

What is the real advantage of all your saving and investing? As I see it, there are three primary benefits:

- 1.** If you have money, you don't have to worry about it. This isn't guaranteed, of course. I've known plenty of high-net-worth individuals who agonized over their finances and worried about losing the nest egg they'd

taken a lifetime to build. Still, if you have money and manage it conservatively, your worries should be few. Fretting about your investment returns is a lot less stressful than wondering how you're going to make this month's rent.

2. Money gives you freedom to pursue your passions. You can spend your days engaged in activities that you find absorbing and satisfying, that you feel you're good at—or make you feel like you're doing good. This doesn't just happen in retirement, incidentally. A measure of financial freedom gives you the ability to swap into a new job that may be less lucrative but more fulfilling.

3. Money buys you time with family and friends. Your most valuable resource is your time, not your bank statement. And nothing contributes to personal happiness more than seeing family and friends regularly. Money gives you the wherewithal to go out to dinner with buddies, take a vacation with the kids, or go to the concert with your significant other. In my view, money is put to the best use when it is spent making memories, not loading up on more stuff.

However, financial security remains elusive for many Americans. The 2013 Retirement Confidence Survey (RCS), the longest-running survey of its kind, revealed that the percentage of workers who feel confident they have enough for a comfortable retirement is near record lows. Most Americans have too little in retirement savings and remain pessimistic about the future. In a recent poll by Yahoo! Finance, 41 percent said, "The American Dream is lost." Only 45 percent believe their kids will be better off than they are. Other surveys show that a significant percentage of us believe life is tough, the future is dim, and the country is decidedly on the wrong track.

This is understandable in some ways. Our society faces serious problems, including war, disease, corruption,

poverty, nuclear proliferation, terrorism, and political dysfunction in Washington. No wonder Americans are in a foul mood, especially if this dour perspective—one cycled 24/7 by the national media—is an accurate representation of the state of the nation.

But it isn't. The media delivers the world through a highly distorted lens, emphasizing tragedies, accidents, and problems. A recent study showed that more than 90 percent of the articles in the *Washington Post* had a negative slant. Television is even gloomier—and far more sensational.

It's not hard to understand why. News media companies exist to generate profits. To do that, they need advertisers. To attract advertisers, they need viewers. And to grab viewers, they scare the pants off them, setting their amygdalas alight with news of terrorist attacks, sensational crimes, natural disasters, and other unsettling developments.

And we don't just *hear* about accidents and natural disasters; we see immediate live footage that is recycled continually throughout the day. From a media standpoint, bad news is good news. If a factory closes, that's a story. If a factory opens, it's not. Of course, no one wants to hear about the planes that didn't crash and the buildings that didn't burn. But the news media creates a powerful impression that all over the country terrible things are happening, that modern life is filled with tragic developments and impending dangers.

Yet this almost certainly doesn't reflect your own day-to-day world. Honestly, is your life filled with life-threatening perils, violence, and extreme need? Or is it one of relative comfort, convenience, and affluence?

A realistic look at your life begins with realizing the truth about your circumstances and the world we live in. Throughout most of human history, physical survival was the overriding problem confronting people. The bulk of each

day was spent seeking food, water, shelter, warmth, and safety. Men and women lived lives that were, in Thomas Hobbes's famous phrase, "solitary, poor, nasty, brutish, and short."

Nobody worried about retirement because almost no one lived to be old. By 25, just about everyone was dead, usually of unnatural causes. We battled the elements and hunted and scavenged to survive. As a species, we existed on the brink of starvation in a world filled with danger. Even 200 years ago, well after the advent of agriculture, the vast majority of the world's population experienced the present standard of living of Bangladesh.

Today we have a great bias, a widely accepted belief in the steady nature of progress. Yet for most of human history, there was none. More has been invented in the past 100 years than the previous 1,000. Most of human history has been one prolonged era of non-progress. Gains in living standards were imperceptible. And the human population grew slowly—or not at all—because death rates often exceeded birth rates.

Things improved with the Industrial Revolution. But people worked much harder then than we do today. In 1850, the average workweek was 64 hours. In 1900, it was 53. Today, it is 35 hours. On the whole, Americans work less, have more purchasing power, enjoy goods and services in almost unlimited supply, and have much more leisure time.

One hundred years ago, 6 percent of manufacturing workers took vacations; today, it's over 90 percent. One hundred years ago, the average housekeeper spent 12 hours a day on laundry, cooking, cleaning, and sewing; today's it's about 3 hours.

A century ago, most workers performed backbreaking labor in farming, forestry, construction, or mining. But just a small fraction of the population performs physically demanding work today. That leaves the majority of us free

to offer restaurant meals, financial services, jazz concerts, or aromatherapy. Your ancestors a few generations removed would marvel at contemporary life: unlimited food at affordable prices . . . plagues that killed millions—polio, smallpox, measles, rickets—all but eradicated . . . cancer, heart disease, and stroke incidence in decline . . . the advent of instantaneous global communication and same-day travel to distant cities . . . mass home ownership with central heat and air and limitless modern conveniences . . . senior citizens cared for financially and medically, ending the fear of impoverished old age. Thanks to advances in medicine and public safety, we are enjoying the greatest human accomplishment of all time: the near doubling of the average life span over the past 100 years. (At the beginning of the twentieth century, the average American lived just 42 years.) Life expectancy in the West is growing by three months per year. That means you're gaining six hours of life expectancy a day without even exercising. Consequently, the number of years we spend in retirement is increasing, too.

Living standards today are the highest they have ever been, including for the middle class and for the poor. Yes, the median family net worth suffered a hit following the financial crisis of 2008, falling well below the peak of \$126,400 in 2007. But with home prices bouncing back and the stock market more than doubling from its lows, prosperity is on the rise again. The Federal Reserve reported in 2013 that American families' wealth had reached an all-time high of \$74.8 trillion.

The overwhelming majority of us are seeing our essential needs met and most of our high-priority wants, as well. You may be in the midst of difficult personal circumstances, of course. You may have lost your job, your house, or a loved one. Appreciating this legacy of wealth doesn't require blindness to the tragic aspects of life or the suffering of

others. Unlike Dr. Pangloss, I don't believe that everything is for the best in this best of all possible worlds. There are depressing or bittersweet aspects to every life, as there always have been for all people at all times and in all places. Yet if you were born into the affluent West, you live in a world that is vastly richer, easier, and more comfortable than your forebears'.

No doubt you have family problems, or financial troubles or health issues. But people have always dealt with predicaments like these and usually in a milieu much more difficult than our own. A bit of context makes you realize that your life today is almost certainly better than it was for 99.9 percent of your ancestors.

Pessimists grudgingly admit that life may be getting better in some respects, but it is also getting more expensive. And, indeed, inflation is a thief that robs us all. But inflation has been remarkably tame over the last three decades and the real measure of something's worth is the number of hours it takes to acquire it. From this standpoint—again—we have never been richer.

The four most basic human economic needs—food, clothing, fuel, and shelter—have been getting steadily cheaper for years. Housing, for instance, has rarely been a better bargain, and not just because the real estate bubble burst a few years ago. It took 16 weeks to earn the price of 100 square feet of housing in 1956. Today, it takes 14 weeks and the housing is better quality. Plus, our homes are filled with all sorts of modern conveniences: dishwashers, ovens, microwaves, coffee makers, and lounge chairs that give massages.

Most of our grandparents and great grandparents worked long, hard hours to raise lots of kids—thanks to the absence of birth control—in small homes with tiny kitchens and little closet space. The average American home had 1,700 square feet in 1973. Today, it has more than 2,500 square feet, and

40 percent more closet space than in 1978. Today, Americans live in spacious homes with family rooms, pools, and patios, filled with all kinds of desirable things that our grandparents either couldn't have imagined or believed only rich people could own. The average American living under the poverty line today lives in a larger dwelling than the average European. Not the average European living under the poverty line, the average European.

It is easy to take things for granted today. Consider light, for example. To get an hour of artificial light from a sesame-oil lamp in Babylon in 1750 b.c. would have cost you more than 50 hours of work. The same amount of illumination from a tallow candle in the 1800s required 6 hours' labor. Fifteen minutes of work was the trade-off for an hour from a kerosene lamp in the 1880s. Yet for an hour of electric light today, the average American labors *half a second*.

Or take transportation. For millions of years, we got somewhere only by putting one foot in front of the other. Six thousand years ago, we domesticated the horse. (For most of human history, nothing traveled faster than a horse and, as far as we knew, nothing ever would.) In the 1800s, going from New York to Chicago on a stagecoach took two weeks' time and a month's wages. Industrialist Henry Ford made the automobile affordable to the masses a century ago, in any color that you wanted as long as it was black. Today, it takes far less discretionary income for us to buy a car, and—aside from having the power of over 200 horses—the vehicles come with side airbags, antilock brakes, GPS guidance systems, high-powered audio systems, and voice-activated SYNC.

Or consider home entertainment. It just keeps getting better and cheaper. A 50-inch flat screen TV cost more than \$10,000 just over a decade ago. Today, you can pick one up at Wal-Mart for less than \$500. In 2001, you could spend \$600 for a splashy new 1.3-megapixel digital camera that

weighed a pound and a half. Today, you can buy a 16-megapixel camera that weighs 3.8 ounces for less than 100 bucks. When DVD players first debuted, they cost several hundred dollars. Today, a good one costs less than \$50. Of course, why trouble yourself to buy or rent DVDs when you can easily and cost-efficiently stream content to your home entertainment center without even getting off the couch?

Technology is revolutionizing our lives. Thirty years ago, most people didn't have a personal computer. Twenty years ago, the majority didn't have a cell phone. Ten years ago, most didn't have a high-speed Internet connection. We can't even imagine all the technological advances that lie just ahead.

In 1987, a megabyte of memory cost \$5,000. The Mac II that sat on my desk—with a single megabyte of memory and running at 16 megahertz (which Apple in its typically breathless marketing described as “blindingly fast”)—cost nearly \$6,000. Today, a much smaller and exponentially faster machine costs about a tenth as much. As for memory, you can buy a terabyte drive today for less than 60 bucks. It has never been cheaper to store, exchange, and improve ideas.

In addition to the vast improvement in your material circumstances, you have inherited a tremendously rich cultural legacy: masterpieces of art, music, literature, sculpture, and architecture. And these things have never been more accessible.

Visit any major city and you can marvel at paintings and sculptures that the world's richest men and women cannot own, even if they could afford them. The local library offers all of history's greatest books—with no waiting list. Many can be downloaded for free. Internet radio offers commercial-free music at no cost. And for a few dollars, you can own (and instantly download) high-quality, digital

recordings of the world's greatest music performed by the finest symphony orchestras.

Digital music is more environmentally friendly, too. Albums, cassettes, and CDs are made of plastic and metal, the raw ingredients of which have to be extracted from the ground and molded into shape. Unlike digital music, these require packaging. (Older readers will remember early compact disc packaging with jewel cases, plastic wrap, and long cardboard boxes.) And it takes pollution-belching trucks to deliver CDs, records, and tapes to your home. Today, with the exception of greenhouse gases, all forms of pollution are in decline.

In so many ways, you are better off than royalty of yore. Louis XIV lived at Versailles and had cooks and maids and servants waiting on him hand and foot. That sounds great. But he couldn't have imagined our modern conveniences. He lived in a drafty building without central heat in the winter or air-conditioning in the summer.

And what if he got an abscessed tooth or a ruptured appendix? Who would he see? His dinner choices couldn't approach the cornucopia that greets you in a typical supermarket. If he wanted to dine out, he couldn't choose from Italian, Chinese, or Indian cuisine. And today, you can walk into a gas station mini-mart and buy a better wine than he drank.

His Majesty had his own tailors, yes. But he could never have imagined visiting a modern shopping mall or browsing the Internet to order excellent, affordable garments made of silk, linen, cotton, or wool from all over the world. Nor could Louis XIV travel from one town to the next at 70 mph. Or speak to friends or family members in another land. He couldn't fly off to the other side of the world in a matter of hours to enjoy a better climate or an exotic locale for the equivalent of less than \$1,000.

Some things, of course, are getting steadily more expensive in real terms. Health care is one of them. But which would you prefer—today's more costly, state-of-the-art health care or what you would have received at a lesser cost in, say, 1975? There has been a stunning reduction in infectious diseases. Heart disease and stroke incidence are in decline. A recent study from the Centers for Disease Control and Prevention reports that overall rates of new cancer diagnosis have dropped steadily since the mid-1990s. (Yet the American Cancer Society reports that 7 in 10 Americans believe cancer rates are going up.)

Today, you can sign up for a hip replacement. Forty years ago you would have gotten a wheelchair. Or maybe you need cataract surgery. A few decades ago you would have gotten a seeing-eye dog. And today's surgery is far less traumatic. Arthroscopic, laparoscopic, endoscopic, drug-eluting stents—these are all commonplace and engineered to get you up and around in no time.

In their book, *Abundance*, technology gurus Peter Diamandis and Steven Kotler describe how rapidly things are improving in our society:

Food is cheaper and more plentiful than ever (groceries cost 13 times less today than in 1870). Poverty has declined more in the past 50 years than the previous 500. In fact, adjusted for inflation, incomes have tripled in the past 50 years. Even Americans living under the poverty line today have access to a telephone, toilet, television, running water, air-conditioning, and a car. Go back 150 years and the richest robber barons could have never dreamed of such wealth.

Nor are these changes restricted to the developed world. In Africa today a Masai warrior on a cellphone has better mobile communications than the President of the United States did 25 years ago; if he's on a smart phone with Google, he has access to more information than the

President did just 15 years ago, with a feast of standard features: watch, stereo, camera, videocamera, voice recorder, GPS tracker, video teleconferencing equipment, a vast library of books, films, games, music. Just 20 years ago these same goods and services would have cost over \$1 million . . .

Right now all information-based technologies are on exponential growth curves: They're doubling in power for the same price every 12 to 24 months. This is why an \$8 million supercomputer from two decades ago now sits in your pocket and costs less than \$200. This same rate of change is also showing up in networks, sensors, cloud computing, 3-D printing, genetics, artificial intelligence, robotics and dozens more industries.

Free markets deliver an enormous bounty based on specialization and exchange. One small example: Our forebears couldn't have conceived today's typical salad bar because they couldn't imagine a global transportation network capable of bringing green beans from Mexico, apples from Poland, and cashews from Vietnam together in the same meal.

The world's poorest are being pulled up, too. Fifty years ago more than half the world's population struggled with getting enough daily calories. Yet predictions that population growth would cause massive food shortages and starvation proved wrong. Genetically modified seeds allow farmers to produce better-quality crops while using fewer pesticides, herbicides, and fertilizers. The sustainability of the land has improved as a result. America's farmers now grow five times as much corn as they did in the 1930s—on 20 percent less land. The yield per acre has grown sixfold in the past 70 years.

The poor are actually experiencing the most dramatic rise in living standards. According to UNICEF, the global infant mortality rate is the lowest it has ever been, at 51 deaths

per 1,000 live births. Child labor, while still too high, is a tenth of what it was five decades ago. The daily calorie intake in the developing world is up dramatically. There are roughly seven billion people in the world, but virtually everywhere health is improving and life expectancy is up.

At the current rate of decline, the number of people in the world living in “absolute poverty” will be statistically insignificant by 2035. The spread of microfinance and cell phone technology in many developing countries, for example, is creating countless opportunities and greater prosperity.

The overwhelming majority of us are far better fed, sheltered, entertained, and protected against disease than our grandparents. Plus, the majority of our ancestors enjoyed virtually none of the political freedoms we take for granted in the West today: freedom of speech, freedom of assembly, freedom of religion, freedom from conscription, freedom to choose our leaders or to pursue our economic self-interest.

Educational attainment has never been higher. Eighty-eight percent of Americans are high school graduates. Over 57 percent have some college. And 40 percent have a bachelor’s degree. Yes, the cost of higher education has been growing faster than the rate of inflation, but there are signs this is changing, too. Online universities are revolutionizing higher education. And almost two-thirds of colleges now offer full online degree programs, nearly double what it was 10 years ago. And if knowledge rather than a degree is your goal, high-quality courses—from Kahn Academy to Coursera—are available online and absolutely free.

IQ scores are rising as well. In fact, the average has risen by 15 points in the last 50 years in the United States. That means a person with an average IQ of 100 today would score 115 on a test from the 1960s.

Throughout most of American history, many groups were systematically marginalized. But formal discrimination against women and minorities has ended. Gays and lesbians are next. Polls show the majority of Americans now favor full and equal rights for homosexual couples.

Walter Isaacson, former managing editor of *Time*, once noted that if you had to describe the twentieth century's geopolitics in one sentence, it could be a short one: Freedom won. Free minds and free markets prevailed over fascism and communism.

The world is getting steadily safer, too. Although you wouldn't know it listening to your local TV station, crime is in a long-term cycle of decline.

This is the most peaceable era in the history of our species. The number of people who have died as a result of war, civil war, and terrorism is down 50 percent this decade from the 1990s. It is down 75 percent from the preceding five decades. And this greater stability has allowed the creation of a single global economic system, in which countries around the world are participating and flourishing.

There is too much conflict, especially in the Middle East and parts of Africa. But this is newsworthy, in part, because it is increasingly rare. In his essay "A History of Violence," Harvard psychologist Steven Pinker writes:

Cruelty as entertainment, human sacrifice to indulge superstition, slavery as a labor-saving device, conquest as the mission statement of government, genocide as a means of acquiring real estate, torture and mutilation as routine punishment, the death penalty for misdemeanors and differences of opinion, assassination as the mechanism of political succession, rape as the spoils of war, pogroms as outlets for frustration, homicide as the major form of conflict resolution—all were unexceptionable features of life for most of human history. But, today, they are rare to nonexistent in the

West, far less common elsewhere than they used to be, and widely condemned when they are brought to light.”

Never before has the risk of death by violence been smaller for most of humanity. Yes, there are armed conflicts around the globe, but the richest countries are not in geopolitical competition with one another, fighting proxy wars, or engaging in arms races. This is huge. There is a fundamental difference between growing up knowing your existence is precarious and growing up feeling that your survival is secure. This leads not just to material security but to a feeling of subjective well-being.

I don't mean to downplay our current challenges, including one of the most predictable crises in the nation's history: huge and growing state and federal deficits. Yet you'll notice that the extreme forecasts always begin with the words "If nothing is done . . ."

Yet something *will* be done. Only the most hardened cynics believe that politics will ultimately trump the national welfare. The solutions are not politically easy, but they exist. Simpson-Bowles and other bipartisan commissions have already delineated the steps necessary to reach fiscal sanity. State governors like Chris Christie and Andrew Cuomo have tackled deeply entrenched problems, such as pension shortfalls, that threaten to destroy state budgets. There is political polarization and plenty of heated rhetoric, but reform at the national level is coming. Yes, it is overdue, but this is hardly new. Winston Churchill was right when he observed that Americans can always be counted on to do the right thing after they have exhausted all the other possibilities.

In sum, the world you live in is rich by almost every measure. Your circumstances are not just fortuitous but extraordinary. We should all recognize this and remember it. Human beings have never had it so good. Our lives are bountiful beyond measure. Yet Americans don't report being

any more satisfied today than they did in the 1940s when we were in the fight of our lives against Hitler, Mussolini, and Hirohito.

It's not uncommon to hear people grumble because they can't get a high-speed Internet connection on the plane, or that Web pages are taking too long to load on their smartphone, or the supermarket is out of their favorite gourmet pet food. As essayist Randall Jarrell observed: "People who live in a Golden Age usually go around complaining how yellow everything looks."

There is a serious downside to all this gloom and doom. For starters, despite the many positive developments in society, diagnoses of clinical depression are up 10-fold in the past 50 years. Some of this is due to the increasing willingness of those afflicted to seek treatment. But surely environmental factors contribute as well. And what could be more depressing than the daily drumbeat of pessimism—and an almost complete absence of positive news—from major media sources? Even among those who enjoy robust mental health, all this negativity—in addition to distorting our perspective—is, to put it mildly, "a bummer."

I also see serious ramifications in my bailiwick, the investment arena. Entrepreneurs who don't feel optimistic about the future don't start new businesses or expand existing ones. Investors don't risk their money in the stock market—and thereby decrease their chances of meeting their investment goals. That delays retirement or diminishes your future standard of living.

Over the past 15 years, we have had real booms and busts. But they have also been peppered with false alarms: Y2K, acid rain, natural resource depletion, mineral shortages, the bird flu epidemic, government shutdown threats, and "the sequester." Yet if you adopt an optimistic attitude you may be branded naïve or out of touch. As the Austrian economist Friedrich Hayek said, "Implicit