

# Index

- Accumulated human capital, 145, 146  
Acer, 114  
Active investing, 42, 44, 45, 62  
“Active share,” 47  
Advanced degrees, earnings and, 151, 152  
Advisors, investment plans and, 48–49  
Affordable quality, 114–115  
Afghanistan, 74  
Age, assets and, 30–31  
Age pyramids, 27, 28  
Age wave, 27  
Aging developed world, dependency ratio and, 34–38  
Aging of population, 104  
    investment opportunities and, 26, 27, 40  
    in Japan, 32  
    market potential inherent in, 105–110  
    mature economies and, 117  
    in U.S. *vs.* in Japan, 128  
Agricultural commodities, 133  
Agricultural economy, 151  
Alibaba.com, 90–91  
Alternatives:  
    insurance across range of, 142  
    portfolio diversification and, 143  
American dream, home ownership and, 2, 136  
American International Group (AIG), 51  
American pop culture, global dominance of, 113–114  
Analytical skills, 153, 154, 155  
Anatolian Tigers, 71  
Apple brand identity, 111, 112  
Arab Spring of 2011, 134  
Argentina, 67, 92  
Asian financial crisis of 1997, 75, 98, 121, 129  
Asia Pulp & Paper (APP), 96–97  
Asset allocation, 179  
    equity style boxes and, 122–123  
    forming basis of, 169  
Asset allocation model:  
    classic, fresh perspectives and, 162  
    MPT-driven, 164  
    risk on/risk off market pattern and, 166  
Assets, 183. *See also* Prosperity; Wealth  
    age and, 30–31  
    echo boomers and, 31, 33  
    economic diversification and, 182  
    planned around liabilities, 175  
    structuring, 173–175  
    in wealth portfolio, 167  
Augustine, Norm, 154, 155  
Australia:  
    median age and old-age dependency ratio in, 35  
    new market in, 67

- Baby boomers, 21, 52. *See also* Senior boomers  
 aging of, 26–27  
 assets and, 30–31, 33  
 discretionary spending by, 106–107  
 generational exceptionalism and, 106  
 Great Moderation and, 14  
 retirement finance and, 108–109  
 single-person households among, 109
- Bangalore, 77, 90
- Bangladesh, 70, 97
- Bank bailouts, 4
- Bank Mandiri (Indonesia), 75
- Bank of America, 51
- Barclays Capital 10-year Treasury total  
 return index, 125
- Bear Stearns, 51
- Behavioral economics, 44, 46
- Berlin Wall, dismantling of, 68, 121
- Bernanke, Ben, 16
- Big Payoff, The: Educational Attainment and  
 Synthetic Estimates of Work-Life Earnings*  
 (U.S. Census Bureau), 152
- Birthrates, 27
- Black Swan, The: The Impact of the Highly  
 Improbable* (Taleb), 164
- Blend funds, 122
- Blogs, 188–189
- Bloomberg Businessweek*, 188
- Bloomberg.com, 188
- BMW, 112
- Bollywood, 113
- Bond funds, 53
- Bond market indexes, 50
- Bonds, 123, 124–130, 150, 171–172, 174,  
 183. *See also* Stocks  
 of emerging economies, 129  
 high-quality, 126, 176  
 inflation-indexed, 176  
 protective power of, 124, 125  
 zero bound and, 127, 129
- Branding, 60, 87  
 human capital and, 158  
 self, 150, 158
- Brazil, 34, 70, 94  
 corruption ranking of, 74  
 discovery of pre-salt oil in, 132  
 domestic growth in, 182  
 emerging middle-class consumers in, 71  
 forecasted 2011 gross debt as percentage  
 of GDP in, 80  
 growth rate of, 63  
 inflation in, 73  
 median age and old-age dependency ratio  
 in, 35  
 price stability in, 92
- BRICs (Brazil, Russia, India, China), 34, 86
- Bryan, William Jennings, 73
- Buffett, Warren, 45
- Burberry, 70–71
- Bureaucratic entanglements, 74, 78
- Burns, Arthur, 93, 181
- Bursa Malaysia, 96
- Calculated Risk blog, 188
- Canada, 67
- Careers, 148
- Carter, Jimmy, 8
- Carville, James, 180
- Cash, 124, 178
- Caution, exercising, 183
- Chaplin, Charlie, 149, 155
- Chavez, Hugo, 96
- China, 34, 67, 70, 74, 103  
 ascent from poverty in, 54, 65  
 banks in, 76  
 cement production in, 84, 85  
 dependency ratio in, 37  
 domestic growth in, 182  
 economic growth in, 66  
 emerging middle-class consumers  
 in, 71  
 forecasted 2011 gross debt as percentage  
 of GDP in, 80  
 “jasmine revolution” in, 73, 97  
 market-driven economy in, 69  
 median age in, 27  
 median age and old-age dependency ratio  
 in, 35  
 one-child policy in, 27, 35, 37  
 population profiles by age and sex in, 28  
 rail accident of 2011 in, 77, 87
- China National Offshore Oil Corporation  
 (CNOOC), 76
- China Petroleum, 76
- Cinnamon Foods (India), 90
- Citigroup, 51
- Clinton, Bill, 180
- Cognizant, 90
- Cold War, 14, 68
- College graduates:  
 earnings of, 151, 152  
 unemployment rate for, 152
- College tuition, 168, 169, 176, 183
- Commodities, 123, 130–135, 182  
 demand and, 132–133, 143  
 investing in, 133–135, 143  
 supply and, 131–132, 143
- Commodity index funds, 50
- Communication skills, 153, 154
- Compensation, for financial advisor, 49

- Compound interest, 124, 177–178
- Construction, 84
- Consumer goods consumption, 86
- Consumer price index (CPI), 176
- Contingencies, 147
- Continuing education, human capital and, 157
- Corporate governance:
  - in mature economies, 117
  - weak, 95–96, 99
- Corruption, 73, 74–76, 78, 89
- Cost of living, income and, 5. *See also* Inflation; Purchasing power
- Covenant of rising prosperity:
  - Great Recession and, 3
  - standard of living and, 1–2
  - tossing out, 7
- Creative thinking, 159
- Credit, collapse in, 3–4, 17
- Credit card debt, paying off, 20, 167
- Critical thinking skills, 153, 154, 159
- Crony capitalism, 89, 97
- Currency debasement, hedging against, 143
- Currency markets, consumer goods and, 91–92
- Davies, Gavin (blog), 188
- Debt:
  - forecasted 2011 gross debt as percentage of GDP, 80
  - Great Moderation and, 13, 15
  - wealth portfolio and, 167
- Debt investing, emerging-market, 91–94
- Deferred gratification, 170
- Deflation, 12, 121, 176
- Deleveraging, 25, 80, 81
- Dell, 114
- Demand, commodities and, 132–133, 143
- Demographics. *See also* Aging of population;
  - Baby boomers
  - assets and, 26–31
  - BRICs and, 34–35
  - growth and, 34
  - macro factor and, 38–39
  - market access and, 60–61
- Deng Xiaoping, 69
- Denmark, 74
- Dentures, 108
- Dependency ratio:
  - aging developed world and, 34–39
  - defined, 35
  - growth in emerging markets and, 34–38
- Derivatives, 50, 140
- Developed countries, dependence ratio and aging population in, 34–39
- Developed economies:
  - advantages enjoyed by, 117
  - lean years for, 80
  - productivity gains in, 38
- Developing countries, dependency ratio in, 36. *See also* Emerging markets
- Digital literacy, 152, 153
- Disability, 147
- Discounted present value, 145
- Discounted present value of future earnings, 171, 172
- Disruptive global events, hedging against, 143
- Diversification, 58–59, 122
  - bonds of emerging economies, 129
  - commodities, 130–135
  - economic *vs.* statistical, 182
  - failure of traditional approach to, 55, 62
  - gold, 135–136, 143
  - hedge funds, 139–141, 143
  - real estate, 136–139, 143
  - redefining, 143
  - transformed financial landscape and, 55–57
  - U.S. Treasury bonds, 125–126, 130, 143
- Dividend payments, compounding, 177–178
- Divorce rate, 109
- Dollars (U.S.), 180, 181
- Dot-com collapse, 2, 10
- Dow Jones Credit Suisse Hedge Fund Index:
  - S&P 500 index *vs.*, 1993–2000, 141
  - S&P 500 index *vs.*, 2006–2011, 140
- Dow Jones Industrial Average:
  - October 1987 decline in, 14
  - stagflation of 1970s and, 8
- Dow Jones Wilshire 5000 index, 45
- Due diligence, before choosing a fund, 83
- Due vigilance, once fund is chosen, 83
- Dysfunctional equilibrium, 180
- Earnings, education and, 151–152
- Earnings growth, finding, 179
- Eastern Europe, 70, 88
  - market-driven economies in, 68
  - politics in, 73
- Echo boomers, assets and, 31, 33
- Econbrowser, 188
- Economic development, global integration and, 65–66
- Economic diversification, statistical diversification *vs.*, 182
- Economic downturn, prolonged, 183
- Economic growth, opportunity and challenges with, 70–72
- Economic opportunity, 148
- Economic weakness, hedging against, 143
- Economist, The*, 188

- Economist's View, 189
- Education, 148, 150  
 earnings and, 151–152  
 for knowledge economy, 151–156  
 making it pay for knowledge economy,  
 157–158
- Efficient frontier, 163
- Efficient market hypothesis, 44, 96
- Efficient portfolio, 163
- Einstein, Albert, 124
- Elderly population, as investing opportunity,  
 32–34. *See also* Aging of population;  
 Senior boomers
- Embraer (Brazil), 88
- Emergency reserve funds, 168
- Emerging economies:  
 bones of, 129  
 new investment opportunities in, 18, 40  
 productivity gains in, 38
- Emerging-market indexes, 53
- Emerging markets (EMs):  
 ascent from poverty in, 64–65  
 bubbles in, 97  
 caveats for investing in, 82–83  
 corruption in, 74–76  
 debt investing, 91–94  
 defining, 64  
 defining opportunity in, 83–87  
 dependency ratio and growth in, 34–38  
 factors driving emergence of, 67–70  
 forecasted 2011 gross debt as percentage  
 of GDP in, 80  
 inflation and, 73–74, 97, 98  
 middle-income trap and, 181  
 navigating the investing minefield in, 94–97  
 opportunities and challenges with, 72  
 rise of, 26  
 rising GDP and rising HDI in, 66  
 what to look for when investing in, 87–91
- Emerging middle-class consumers, rapid  
 growth of, 71
- Employers, human capital and, 148
- Energy, increasing cost of, 5
- Entitlements, 25
- Entrepreneurship, 104, 148
- Equities, 141, 143, 182  
 hedge fund performance *vs.*,  
 1993–2000, 141  
 hedge fund performance *vs.*, 2006–2011,  
 140  
 younger investors and, 149
- Equities growth, low, 120
- Equity markets, Great Moderation and, 12
- Equity style boxes, 122–123
- Ernst & Young, 94
- Estate planning, 183
- E\*Trade, 114
- Europe:  
 dependency ratio in, 36  
 emerging middle-class consumers in, 71  
 growth-inflation trade-off in, 74  
 sovereign debt crisis in, 18
- European Union, 103
- Euros, 141
- Eurozone, 181
- Facebook, for senior boomers, 109
- Federal Reserve, 13, 14, 22, 53, 93, 125,  
 180, 181  
 growth rate of money controlled by, 15  
 quantitative easing program of, 128  
 under Volcker's leadership, 8–9
- Federal Reserve Bank of San Francisco, 30
- Fed funds rate, 8
- Financial capital:  
 developed countries and, 20  
 growing, 147  
 transferring human capital into, 148, 150
- Financial disclosure statements, from  
 emerging-market countries, 94
- Financial emergencies, hedging against, 143
- Financial Industry Regulatory Authority  
 (FINRA), 49
- Financial markets, avoiding collapse of, 17–18
- Financial plan, personal, 172–175
- Financial repression, 54, 91
- Financial services, shift-to-value formula  
 and, 115
- Financial Times*, 187–188
- Financial Times* blog, 189
- Financial worth, measure of, 145
- Fixed-income investments, protective  
 capability of, 124
- Food:  
 increasing cost of, 5, 97  
 stagflation of 1970s and price of, 8
- Foreclosures, 4
- Foreign currency trading, 91
- Formalization of economic sector, 89–90, 99
- 401(k) retirement plans, 2, 4
- France:  
 forecasted 2011 gross debt as percentage  
 of GDP in, 80  
 size of economy, 103
- Franklin, Ben, 177
- Friedman, Milton, 15
- Fukuyama, Francis, 180
- Futures, 50

- General Electric, 68
- Generational exceptionalism, 106
- Generic drug production, 85
- Germany:
- forecasted 2011 gross debt as percentage of GDP in, 80
  - median age and old-age dependency ratio in, 35
  - size of economy, 103
- Global competition, technology, and human capital, 150
- Global Financial Stability Report (IMF), 189
- Global financial system, interconnectedness and vulnerability of, 181
- Global growth, new world of, 18, 19
- Global integration, economic development and, 65–66
- Globalization, education, and earnings, 151–152
- Global trade, in nineteenth century, 67
- Gold, 135–136, 143, 178
- Goldilocks Environment, 7, 98, 183
- Goldman Sachs, 51
- Good ideas:
- branding, 60
  - market access, 60–61
  - price of opportunity, 61
  - productivity, 61
  - technology, 59–60
- Government bonds, 125, 182
- Grandparents, investing in, 32–34
- Great Depression, 14, 124, 126, 166, 170
- Great Moderation, 21, 51, 53, 80, 81, 120, 127, 129, 148, 166
- baby boomers, investing and, 30
  - debt and, 13, 15
  - diversification and, 55–56
  - economic growth, inflation and, 9–10
  - end of, 12, 22, 185
  - equity, housing markets and, 12
  - as historic anomaly, 7
  - historic developments tied to, 14
  - investing strategy during, 42–46
  - investment returns of, 10–11
  - modern portfolio theory and, 164
  - monetary policy, investments and, 16–17
  - new, 97–98
  - style boxes and, 123
- Great Recession, 3, 22
- shift to value and, 114
  - triggering of, 25
- Greece, 94, 122, 181
- Greenspan, Alan:
- appointed as chairman of Federal Reserve, 14
  - monetary policy of, 15, 16
- “Greenspan put,” 17
- Gross domestic product (GDP), 1, 4, 84
- forecasted 2011 gross debt as percentage of, 80
  - world, emerging markets and, 72
- Growth, demographics and, 34
- Growth companies, 164
- Growth economies, risks in, 181–182
- Growth funds, 122
- Growth markets, 64
- Guatemala, 86
- Gucci, rampant overlicensing and, 113
- Gulf War (first), 10, 14
- Haier, 103
- Hard assets, 130
- Health, 148
- Health care, shift-to-value formula and, 115
- Health care market, mature consumers and, 85
- Hearing solutions/hearing aids, 107
- Hedge fund performance:
- equities *vs.*, 1993–2000, 141
  - equities *vs.*, 2006–2011, 140
- Hedge funds, 139–141, 143
- cost of, 141
  - secret ingredients of, 140–141
- Hierarchy of priorities, defining, 169, 185
- High added value, 104
- High school dropouts, unemployment rate for, 152
- Historical data, modern portfolio theory and, 166
- History, study of, 154
- H&M, 114
- Ho Chi Minh Stock Exchange, 93
- Home and equity markets, 1890–2010, 137
- Home bias, 31
- Home equity loans, 2, 4–5
- Home ownership:
- American dream and, 2, 136
  - inflation and, 137–138, 143
  - wealth building and, 136, 138
- Hong Kong Stock Exchange, 91
- Housing, shift-to-value formula and, 115.
- See also* Real estate
- Housing bubble, puncturing of, 2, 6, 121, 139
- Housing market, Great Moderation and, 12
- Housing market:
- boom and bust cycles in, 6
  - decline in, 4, 12, 25, 137, 138

- Human capital, 167, 169, 171  
 brand yourself, 158  
 education for knowledge economy,  
 151–156  
 global competition, technology, and, 150  
 increasing value of, 147  
 inflation and, 146–147  
 investing in, 145–159  
 as most valuable asset, 159  
 stocking up on, 148–150  
 transferring into financial capital, 148, 150
- Human Development Index (HDI), 65, 66
- Humanities, 154
- Humility, 183
- Immigration, 14
- Income:  
 compounding in form of cash flow, 179  
 education and, 151–152  
 stagnation in, 5
- Incongruities, opportunities in, 87–91  
 formalization of economic sector, 89–90, 99  
 infrastructure development, 87–88, 99  
 innovative use of technology, 90–91, 99  
 institutional reform, 89, 99  
 unfair advantage, 88–89, 99
- Index funds, passive investing in, 44,  
 50–52, 57
- India, 34, 69, 70, 72, 74, 87, 182  
 ascent from poverty in, 64, 65  
 cement production in, 84  
 dependency ratio in, 37  
 emerging middle-class consumers in, 71  
 illiteracy in, 86  
 license raj in, 73, 89  
 median age and old-age dependency ratio  
 in, 35  
 planned economy in, 89  
 population profiles by age and sex in, 28
- Indian Institutes of Technology, 77, 150
- IndiaTiffins.com, 90
- Indonesia, 70  
 ascent from poverty in, 64, 65  
 banks in, 75–76  
 corruption in, 74, 75–76  
 growth rate of, 63
- Industrial economy, 151
- Industrial Revolution, 67
- Inflation, 24, 53, 54, 99, 121, 122, 129, 147  
 beating, 179  
 bonds indexed to, 176  
 cheap dollars and, 55  
 commodities and, 134  
 in emerging markets, 73–74, 78, 97, 98  
 Great Moderation and, 9–10, 11  
 growing purchasing power and, 178–179  
 hedging against, 143  
 home ownership and, 137–138, 143  
 human capital and, 146–147  
 keeping close eye on, 181, 183  
 of 1970s, 8, 93–94  
 purchasing power and, 146, 174  
 reinvesting dividends and, 178  
 role of bonds and, 124  
 Treasuries and, 130
- Information-based economy, 151
- Information technology outsourcing, 90
- Infosys, 88, 90
- Infrastructure deficiencies, 77, 78, 87, 88
- Infrastructure development, 84
- Institutional investors, modern portfolio theory  
 and, 165, 167
- Institutional reform, 89, 99
- Insurance, 174, 183
- Insurance companies, liability stream for, 165
- Intellectual capabilities, human capital and,  
 151–158
- Intellectual capital, developed countries  
 and, 20
- Interest rates, 129, 181  
 bond prices and, 127, 176  
 Greenspan's monetary policy and, 16, 17  
 on U.S. Treasury bonds, 146
- International Monetary Fund, 69  
 website, 189
- Internet, 113, 187  
 affinity groups for senior boomers, 109  
 knowledge economy and, 152  
 worldwide access to, 67
- Investing:  
 aging of population and, 27  
 in commodities, 133–135, 143  
 disaster scenarios and, 39  
 discipline and, 185  
 in grandparents, 32–34  
 in human capital, 148–150  
 looking for edge in, 87
- Investing life cycle, global demand  
 and, 31
- Investment Company Institute, 53, 149
- Investment objectives, setting priorities among,  
 168–170
- Investment opportunities. *See also*  
 Incongruities, opportunities in  
 in emerging markets, caveats, 82–83,  
 86–87  
 in emerging markets, defining, 83–87
- Investment plans:  
 looking for help in building, 48–49  
 60/40 stock/bond allocation, 124–125

- Investments, 147
  - Great Moderation, monetary policy and, 16–17
  - information sources about, 83
  - new world of possibilities with, 18, 20–21
  - value of, 145
- Investment strategy:
  - more nuanced, redefining economic value and, 62
  - new, 57–59
- Investment success, tossing out old solutions for, 7
- Iraq, 74
- Iron Curtain, fall of, 68
- Irrational markets, 180
- Italy:
  - ascent from poverty in, 64, 65
  - sovereign debt as percentage of GDP in, 80
- Japan, 64, 67, 103, 117
  - baby boomers in, 105
  - collapse of asset bubbles in, 127–128
  - dependency ratio in, 36, 37
  - emerging middle-class consumers in, 71
  - forecasted 2011 gross debt as percentage of GDP in, 80
  - investors and aging population in, 32
  - median age in, 27, 32
  - median age and old-age dependency ratio in, 35
  - median net worth in, 33
  - population profiles by age and sex in, 29
  - savings rate in, 33
  - small-scale retail in, 90
  - youthful disposable income in, 101–102
- Japanese government bonds (JGBs), 127, 128
- “Jasmine revolution” (China), 73, 97
- JetBlue, 114
- Jimmy Choo shoes, 151
- Job losses, 4
- Jobs, Steve, 24, 101
- Kahneman, Daniel, 44, 46
- Keynes, John Maynard, 162, 180
- Knowledge, 148
- Knowledge economy:
  - education for, 151–156
  - making education pay, 157–158
- Labor costs, 85
  - middle-income trap in growing economies and, 181
  - rising, 96, 97
- Lada, 112
- Large-cap, 45, 122
- Latin America, 88, 98, 129
  - economic growth in, 66
  - modernizing regimes of, 72
- Lehman Brothers, 51
- Leisure, shift-to-value formula and, 115
- Lenovo, 69
- Lexus, 112
- Liabilities:
  - assets planned around, 175
  - personal portfolio of, 169
- Liberal arts curriculum, 154, 155, 159
- Libya, revolution in, 134
- License raj (India), 73, 89
- Life cycle view of wealth, 30
- Life expectancy, 27, 32, 105
  - in Japan, 33, 36
  - market growth and, 65
- Life plan, developing, 172
- Lincoln, Abraham, 24
- Lipitor, 85
- Liquidity:
  - maintaining, 179
  - narrowing definition of, 176–177
- Literacy rates, 86
- Liu, Zheng, 30
- Lockheed Martin, 154
- Longevity, 86, 106, 108
- Louis Vuitton handbags, 71
- Luxury goods, 71, 86
- Ma, Jack, 90
- Malaysia, 91, 92
- Malkiel, Burton G., 44, 49, 51, 52
- Malthus, Thomas, 131, 132, 133
- Mankiw, Greg (blog), 188
- Market access, 60–61
- Market capitalization, 122
- Markowitz, Harry, 162, 163
- Mature economies:
  - advantages enjoyed by, 117
  - size and, 103–104, 117
  - wealth and, 104, 117
- McDep.com website, 189
- McKinsey & Company, 108, 109
- Mean-variance optimization, 163, 175
- Medical tourism, 86
- Medvedev, Dmitry, 95–96
- Merrill Lynch, 155
- Mexico:
  - forecasted 2011 gross debt as percentage of GDP in, 80
  - gross government debt per capita in, 92, 129
  - middle-class consumers and, 71, 86

- MFS Investment Management, 149
- Mid-cap, 122
- Middle-income trap, 181
- Modern portfolio theory (MPT), 162–168
  - historical patterns and, 166
  - risk/return relationship and, 166–167
- Modern Times* (film), 149
- Monetary policy, Great Moderation, and investments, 16–17
- Money market funds, 17
- Moody's Investors Service, 3
- Mphasis, 90
- MSCI Emerging Markets Index, S&P 500 index *vs.*, 2000–2011, 102
- Municipal bonds, 170–171
- Mutual funds, 2, 131
- Myanmar, 74
- Napoleon:
  - on China, 70
  - fall of, 67
- Negative real interest rate problem, 54
- Net worth, median, American *vs.* Japanese, 33
- New Great Moderation, 97–98
- New investment strategy, 57–59
- New York Stock Exchange, 96
- New York Times*, 188
- New Zealand, 74
- Nikkei Index, 56
- Nikkei 225 Index, 127, 128
- 9/11 terrorist attack, 15
- Nutritional adequacy, 86
- NYT Economix*, 188
- Oceania, 64
- Oil, 131
  - Arab Spring of 2011 and, 134
  - Gulf War and price of, 14
- Opportunity, price of, 61
- Options, 140
- Options contracts, 50
- Organization for Economic Cooperation and Development, website of, 189
- Outsourcing:
  - fading advantages with, 96
  - information technology, 90
- Passive investing, 42, 44–45, 46, 50, 57, 62
- Pax Britannica, 67
- Peak oil, 131
- Pensioners, growing ranks of, 105
- Pension funds, liability stream for, 165
- Pensions, in Japan, 33
- Per capita income, 5
- Personal portfolio, 183
- Pertamina (Indonesia), 75
- Petajisto, Antti, 47
- Pfizer, 85
- Philco, 103
- Polish vodka, 68–69
- Political forces, global economy and, 68
- Political instability, 73
- Population profiles by age/sex, China, India, Japan, United States, 28–29
- Portfolio:
  - hands-on involvement in, 183, 185
  - reallocation and construction of, 167
  - subjective risk/return relationship and, 169
  - valuing yourself in, 171
- Portfolio you, 170–172
- Poverty, ascent from, 64–65, 70
- Precious metals, 130, 136
- Premium value added, 110–114, 115, 116
  - brand history, 111, 112
  - rapidly growing economies and, 112–113
  - technological advantage, 111, 112
- Prescription drugs, shift-to-value formula and, 115
- Pretty fair unfair advantage, 88
- Price stability, 92
- Pricing power, 110
- Princeton University, 155
- Problem solving skills, 153, 159
- Productivity, 38, 61, 87
- Project Syndicate, 188
- Prosperity:
  - disappearing, 2, 3, 4, 5
  - Great Moderation and, 11–12, 14
  - hierarchy of priorities and, 168
  - human capital investment and, 149–150
  - insurance across range of alternatives and, 142
  - your financial plan and, 172–175
- Protectionism, 89
- Purchasing power, 167, 176
  - commodities and, 134
  - Great Moderation and, 10, 11
  - growing, 178
  - holding cash and, 177
  - inflation and, 134, 146, 174
  - stagnant income and, 5
  - standard of living and, 54
- Puts, 17
- Qaddafi, Muammar el-, 134
- Random Walk Down Wall Street, A* (Malkiel), 44
- Random-walk orthodoxy, 57
  - how it lost its way, 49–53
  - popularization of, 44

- Rational-market idea, 44, 46, 47, 50, 52, 62
- Reagan, Ronald, 8
- Real estate, 15, 123, 134, 136–139, 143, 178
  - Great Moderation, monetary policy and, 16–17
  - retirement of baby boomers and, 30
- Real Time Economics blog (*WSJ*), 188
- Recessions, in post–World War II period, 7
- Red tape, 74, 89
- Regime changes, 96, 99
- Reinhart, Carmen, 25
- Rental income, 138
- Reporting and disclosure standards, 94–95, 99, 117
- Reserve funds, 168, 174
- Retirement, 105, 168, 183
  - baby boomers moving into, 30
  - boomers' lack of financial preparation for, 108–109
- Returns:
  - Great Moderation and, 16
  - modern portfolio theory and, 163
  - tied to changing world, 183
- Rich economies, size advantage in, 103–104, 117
- Ringgit, 91, 92
- Risk, 94
  - diversification and, 55, 56
  - foreign debt and, 92
  - gold and management of, 136
  - Great Moderation and, 16, 17
  - growth economies and, 181–182
  - insurance companies and, 165, 167
  - modern portfolio theory and, 163, 164, 165
  - new investment opportunities and, 20
  - safety and, 24
  - segmenting into hierarchy of priorities, 169
  - younger investors and reluctance to, 149
- Risk on/risk off market pattern, 166
- Rogoff, Kenneth, 25
- Russell 2000 index, 45
- Russia, 34, 70
  - emerging middle-class consumers in, 71
  - forecasted 2011 gross debt as percentage of GDP in, 80
  - median age and old-age dependency ratio in, 35
- Ryanair, 114
- Safety, looking for, 53–55
- Saudi Arabia, 134
- Savings, 147, 159, 167, 170, 174, 183
  - American rate of, 23
  - Japanese rate of, 33
- Second homes, 168
- Self-branding, 150
- Senior boomers. *See also* Baby boomers
  - financially challenged, investment products for, 110
  - market potential inherent in, 105–110
  - shift-to-value formula and, 115, 117
- Service-driven economy, 151
- Shift to value, 114–115, 117
- Shiller, Robert, 137
- Shorting securities, hedge funds and, 140
- Siegel, Jeremy, 50, 51
- Silicon Valley, 150
- Singapore, 74, 155
- Single-person households, among baby boomers, 109
- Size advantage, in mature economies, 103–104, 117
- Skills, 148
  - branding yourself and, 158
  - gaps in, 76–77, 78
- Small-cap, 122
- Social Security, 33, 105, 167
- Somalia, 74
- Sony, 103
- Southeast Asia, economic growth in, 66
- South Sea Company bubble (1711), 139
- Southwest Airlines, 114, 115
- Sovereign debt, 91, 125
- Sovereign governance, 95
- Sovereign insolvency, 121
- Soviet Union, dissolution of, 69
- Spain, public debt in, 80
- Spending plan, 173
- Spending power, of elderly population, 32
- Spiegel, Mark, 30
- S&P 500 index, 44–45, 50, 51, 56
  - Dow Jones Credit Suisse Hedge Fund Index *vs.*, 1993–2000, 141
  - Dow Jones Credit Suisse Hedge Fund Index *vs.*, 2006–2011, 140
  - MSCI Emerging Markets Index *vs.*, 2000–2011, 102
- Stagflation, 8, 9
- Standard of living:
  - Great Moderation and, 10–11
  - knowledge economy and, 153
  - purchasing power and, 54
- State-owned enterprises (SOEs), 95, 99
- Statism, 89
- Statistical diversification, economic diversification *vs.*, 182
- STEM disciplines (science, technology, engineering, mathematics), 153, 154, 159

- Stock market:  
 crash of 1929, 14, 139  
 crash of 1987, 11, 12, 14, 56  
 retirement of baby boomers and,  
 30–31
- Stock prices, aging and, 30
- Stocks, 124, 126, 130, 131, 150, 171, 172,  
 183. *See also* Bonds; Equities  
 blue-chip, 176  
 dividend-paying, 174  
 younger investors and, 149
- Style boxes, 122–123, 164
- Style drift, 123
- Subprime mortgage market, collapse of,  
 2, 3, 121
- Supply, commodities and, 131–132, 143
- Supply and demand, 84
- Sutton, Willie, 79
- Swaps, 140
- Tag Heuer watches, 71
- Taleb, Nassim Nicholas, 164
- Talents, 148, 158
- Target, 114
- Taxes, 176, 183
- TD Ameritrade, 114
- Technological know-how, mature  
 economies and, 117
- Technology, 87  
 good idea in, 59–60  
 hearing solutions/hearing aids, 107  
 human capital, global competition,  
 and, 150  
 innovative use of, 90–91, 99  
 premium value added and, 111, 112  
 supply and demand and, 132
- TED video series, 188
- Thailand, 85
- Thinking, Fast and Slow* (Kahneman), 44
- Thinly traded markets, 96, 99
- Thucydides, 156
- Tiffany, 112
- Tiffin wallah (India), 89, 90
- Toyota, 103
- Transitions, investing-related  
 edges in, 87
- Transparency International, 74
- Treasury Inflation-Protected Securities  
 (TIPS), 176, 179
- Truman, Harry, 93
- Tulip bubble (1637), 139
- Turkey, 94  
 dependency ratio in, 36  
 economic growth in, 71  
 forecasted 2011 gross debt as percentage of  
 GDP in, 80  
 median age and old-age dependency ratio  
 in, 35
- Unemployment, 4, 6, 12, 25, 147  
 college graduates and rate of, 152  
 high school dropouts and rate of, 152  
 in post–World War II period, 7
- Unfair advantage, 88–89, 96, 99
- Uniqlo, 101, 114
- United Kingdom, 103  
 ascent from poverty in, 64, 65  
 forecasted 2011 gross debt as percentage  
 of GDP in, 80  
 median age and old-age dependency ratio  
 in, 35
- United Nations, Human Development Index,  
 65, 66
- United States, 67, 103  
 ascent from poverty in, 64, 65  
 baby boomer population in, 105  
 corruption ranking for, 74–75  
 dependency ratio in, 36  
 divorce rate in, 109  
 emerging middle-class consumers in, 71  
 forecasted 2011 gross debt as percentage of  
 GDP in, 80  
 gross government debt per capita in, 93, 129  
 growth-inflation trade-off in, 74  
 median age and old-age dependency ratio  
 in, 35  
 median net worth in, 33  
 population profiles by age and sex in, 29  
 state of educational achievements in, 153  
 youthful disposable income in,  
 101–102
- University of Chicago, 43, 155, 162
- Upmarket mass market, 114–115
- U.S. Census Bureau, 152
- U.S. Treasury bonds, 54, 92, 129, 130, 143,  
 180, 181  
 defensive role of, 125  
 interest rate on, 146
- Vacations, 168
- Valuation, 122
- Value added, 111
- Value companies, 164
- Value funds, 122
- Venezuela, 96
- Vietnam, 97  
 ascent from poverty in, 64, 65  
 inflation in, 73

- Volatility:  
  diversification and, 55, 56, 57  
  Great Moderation and, 16  
  moderating impact of, 124
- Volcker, Paul, 8, 14
- VoxEU.org, 188
- Wages, education and, 151–152
- Wall Street Journal*, 149
- Wall Street Journal Online*, 187
- Walmart, 114
- War, 121
- War and Peace* (Tolstoy), 156
- Washington Consensus, 88
- Water, 132
- Wealth:  
  commodities and cushioning  
    of, 134  
  compounding and, 177–178  
  home ownership and, 136, 138  
  of mature economies, 104, 117  
  portfolio of, 167, 171  
  value-growing phenomenon and,  
    119–120  
  your portfolio of, 170–172
- Wealth portfolio:  
  assets in, 167  
  personal hierarchy of priorities and, 185
- West Texas Intermediate crude oil, annualized  
  rate of return, 132
- Williamson, John, 88
- Wolf, Martin (blog), 188
- Wonkblog, 188
- Work, 148
- Work-around, 122
- World Bank, website of, 189
- World War I, 67
- Yahoo!, 91
- Yale University, 155
- Yamani, Ahmed Zaki (Sheik), 133
- Yardeni, Ed (blog), 188
- Y2K, 15
- Yuan, 180
- Zakaria, Fareed, 153, 154
- Zara, 114
- Zero bound, 127, 129
- Zero Hedge, 188
- Zhejiang University of Technology (China), 150

<http://www.pbookshop.com>