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ASSAYING THE AUGHTS: SOME CRITICAL SOCIAL, ECONOMIC AND POLITICAL THEMES THAT CHARACTERIZED THE PAST DECADE AND SIGNAL WHAT IS AHEAD

Nostalgia isn't what it used to be.
— Simone Signoret, actress

The shape of things to come is indistinguishable from the shape of things at hand.
— Robert Heilbroner, economist

Whenever the fourth digit of a year rolls over and changes the third digit, those prone to thinking about larger contexts pause and reconsider what has taken place in the passing decade. We at Inferential Focus feel compelled to reassess what has happened in the light of contexts we discovered as the decade progressed. What changes will continue to unfold, and which ones created the greatest changes in the decade? What has happened, we wonder, that will, in fact, determine what might happen in the next few years?

The first signal that significant change is underway can be seen in the all-pervasive wave of nostalgia currently swamping society. Individuals sense that significant change is at hand, and they have looked to the past to gain a more solid footing. Collectors have made sudden success of items from the 1930s and 1940s; plays and musicals from every decade of the twentieth century have found their way to contemporary stages nationwide; popular music of every decade since the 1950s has found a revival-focused audience awaiting; and new plays, musicals, television shows, concerts and festivals have turned to the past for content and thematic inspiration. Clothing from several past eras has found its way back onto fashion-show runways and department-store racks. Some touring rock bands are performing past albums just as they were released, in the same order and often with the same acoustical effects. Knitting, sewing, cooking traditional foods and playing vinyl records on turntables are additional examples of nostalgia's grip on society today. So our look back over the past decade for insights into current changes has cultural resonance.

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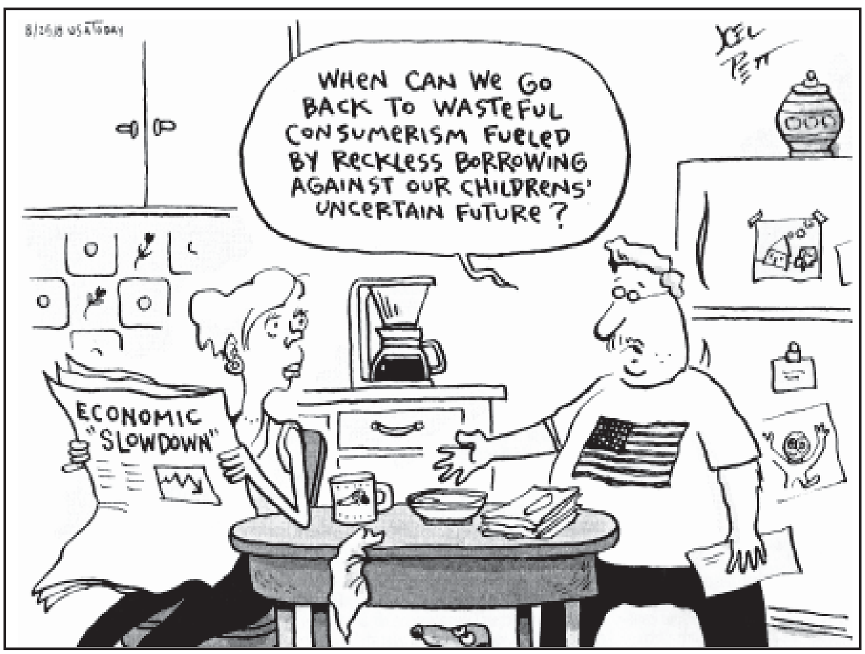
Nostalgia serves two purposes. First, it offers an outlet for those wanting to avoid dealing with the issues of the day, preferring a momentary dive into a past that seemed less complicated. Second, nostalgia can ease the way through a difficult transition by implying that society has, in the past, evolved and changed, and can do so again. Such is the complexity of our society that this duality is serving Americans well today.

The significant events of the passing aught decade cover a wide array of human activities. Yet surveying this disparate array of human actions, we see several themes emerging to prominence: Gaming; Manias and Their Collapse; Digital Culture; and Global Realignment. One ongoing driver seemed to be behind many of the decade's most significant events – what we have called World War III or The Battle over Permeable Borders. Taken together, these themes and their driver depict a society grappling with monumental change, exploited by opportunists and moving toward something of an as-yet-unclear next culture.



Gaming: A Way of Life, A Way of Doing Business

Western calendars rolled over from 1999 to 2000 on the crest of what proved to be an overblown scare – the hype surrounding a great millennium computer shutdown (*a.k.a.* the Y2K crisis). That fiasco set the stage for a decade of scams, tricks, hoaxes, deceptions, dissembling shenanigans and bad decisions…lots of really bad decisions. More than a decade of gamers gaming "greater fools" left society weary and wary, brimming with jilted lovers, gullible targets, disconsolate fans and incredulous victims.

The gaming sensation seemed to rise from nowhere, consolidating a society somehow, incredibly, enamored of games and gaming. Poker, a game once restricted to basement rooms filled with men drinking beer and smoking cigars, became such a nationally popular "sporting" event, that it actually found slots on ESPN, the cable channel given over to twenty-four-hour coverage of sports shows. Poker was on the same channel that broadcast games of the National Football League, Major League Baseball, college basketball, and so on.

Poker captured an emerging mind-set. "I don't play the game," explained one successful poker player, "I play the players." Having a winning hand could be less important than making those at the table believe one had a winning hand. And that was the essential practice in the decade's turn to gaming – not having the funds to back a given credit default swap, not having the wherewithal to execute energy trades for which deals had been made, not having an unaided natural ability to break home-run records, not investing money that clients thought had been invested, not finding nuclear weapons that leaders said were there and not having the family-friendly home life that the media and public-relations campaigns depicted – all these realities mattered less than the fact that those watching thought the person or institution had or could have done those things. Gaming was about illusion, even delusion, and the decade was full of that.

Reality-game competitions covered the airwaves, starting in 2000 with "Survivor," the program that required contestants to feign friendships and alliances in the short term to survive to another episode, continuing until everyone would eventually turn on everyone else. Being victorious was just part of "surviving" the game; the added step involved taunting the loser with rituals of being "voted off the island" or in other arenas, facing a panel of judges. Winning became even more important because the price of losing seemed so high.

Televised reality programs "gamed" love, marriage, jobs and physical appearance. From poker, reality programs and professional sports, individuals learned one easy lesson: Everything can be gamed. And then attentive viewers quickly realized one more thing: Winning is all that matters. When "referees" went missing – that is, regulators, managers, auditors, *et al.* – then more and more people concluded that they just needed an angle or a scam to assure themselves a spot in the medal ceremony or on the list of high-bonus payoffs. Enron sold shares for energy it did not have and created fake market shortages; AIG sold credit default swaps it did not have the money to fulfill; athletes used steroids to create tainted records in track and field, baseball, bike racing, skiing, skating and other sports still being surveyed; Bernard Madoff passed nearly $80 billion through a fraudulent investment scheme, and he was only the most publicized of a rash of Ponzi gamers; the United States went to war in Iraq because of nonexistent weapons of mass destruction; and a trail of men in politics and sports, all projecting images of a happy home life, proved that the allure of a sexual sideshow, a rationalized perk of power and fame, was stronger than their sense of honor.

"Whoa, whoa, whoa, hold the phone. You're telling me that this whole time you've just been <u>making up</u> the horoscopes?"

Manias: If You're Not in, You're Pitiful

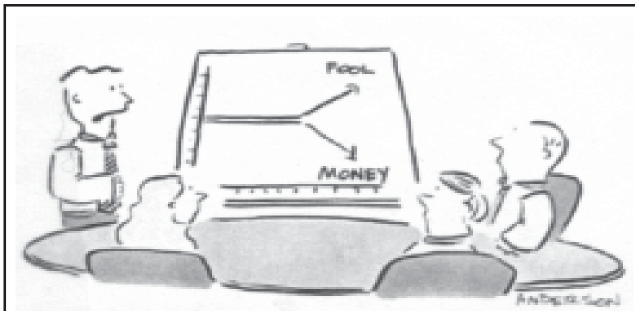
While gaming became a national preoccupation in the aught years, it could not have been successful without an equally strong streak of gullibility and greed on the part of those being gamed. In the distant past, when a carnival barker promised wonderful prizes and munificent rewards for playing a simple and easy game of skill, most passersby might have looked askance at the offer and walked on. But society in the era of the aughts seemed to suspend disbelief very willingly for a chance to grab those prizes and rewards. It was a decade in which more and more people felt they could reap huge returns in no time at all. All they needed was a perfect poker hand to blow away the pretenders at the table, a one-off drug sale that assured sporting dominance and financial freedom, a huge financial company to backstop their bets, a hot stock that skyrockets after being bought, a new financial instrument that does away with risk or a brand-name investor with an amazing record of returns. To the decade's mind-set, anything that was once highly improbable became highly likely.

"I understand completely – you don't feel comfortable risking your nest egg. That's where I come in – I risk it for you."

The aught years started with a full-blown mania, an obsession with hyperbolic rewards so appealing and so seemingly credible that it seemed something totally unique in history had been born – a system, a model and an economy that defied classic interpretation – indeed, a New Economy. Companies could gain huge market capitalization without profits…even without a product. Future sales and future growth were all that was needed.

The world was different because a new technology had ushered in an entirely new way of configuring business and measuring value. Grab a piece of an initial public offering in the morning, and then sell it for an unimaginable profit later that day. This obsession with the seemingly endless money machine had, as we noted at the time, several attributes: "The perception of what is taking place is different from the reality; talk, among fellow participants or in the press, pushes the action; not to be part of the action (or at least believe in its rightness) is a sign of naïveté or worse; participants are in a vortex of self-fulfilling actions, where the more people talk about their actions, the more participants feel validated; and only a minority of society at large is actually participating [in the winnings]."

Society had fallen for what was called a New Economy, which, as social satirist Dave Barry noted, was based on a breathtakingly simple investment angle: stupidity. As we wrote at the time, the big difference between such a mania and more common fits of irrationality, such as fads and crazes, was that manias eventually crash. When the New Economy collapsed, some made it out but most did not.



"What's interesting is the rate at which they part."

The trillions of dollars of value lost to maniacal "stupidity" might have provided a lesson that would endure for more than a decade, but alas, it was soon forgotten, as a risk-free perspective grew rapidly around what could be called a New Finance. If the New Economy depended on stupidity ornamented with new-tech gimmickry, the New Finance arose from "cupidity" ornamented with mathematics. This time, you know, it **was** different.

In the most egregious example, banks like Goldman Sachs, Deutsche Bank and Morgan Stanley sliced and diced all levels of rated securities and then placed them in so-called synthetic collateralized debt obligations (CDOs), new financial instruments that the bank sellers insisted had outmaneuvered risk. However, the sellers might not have believed their own hype, because after selling the CDOs to buyers who were hearing the carnival barker's call of munificent rewards, those same sellers turned around and shorted the very financial instruments they had just created and sold. Some CDOs failed a mere month or two after being sold to pension funds and insurance companies.

Selling such instruments freed more capital to circulate back through the economy into another instrument, and so on. With lax regulatory oversight, these confectionary concoctions turned up to thirty dollars of liquidity loose in the economy for every real dollar in someone's account. As a result, some asset class was bound to inflate with imaginary wealth, and real estate, first residential and then commercial, was the sitting target of the decade's second dive into mania. Liquidity became so plentiful because of these financial instruments, that banks and mortgage companies soon lowered their loan standards to move the money through the housing market…and get the transaction fees.

"Hi, J.B. Guess where I am."

The gaming metaphor, when applied to the manias, lacked one critical element. When someone failed on "Survivor," he or she was insulted and voted off the island. Or when a poker player failed to produce the cards he had bluffed about, then he lost whatever he had in the pot. But when these trick financial instruments failed, those who held them were not the only ones who lost. These instruments involved leverage, the practice of making more financial capability without more money, and that required a string of interdependent financial arrangements. When these went bad, they took a string of others with them. Or, to continue the poker metaphor, when one financial player's bluff failed, he took down himself, everyone at the table and nearly everyone in the room.

Gaming dominated the decade, lining the pockets of those who managed to find the exit before the financial police arrived. Gaming also created a lengthy list of "losers," those who yielded late to the carnival barker's call or who said "Let it ride" when early winnings came through. Yet society as a whole lost as well. The total return on the Standard & Poor's 500 from the end of 1999 through the middle of December 2009 was a negative 9 percent. Also, the decade produced the lowest increase in the U.S. gross domestic product since the decade of the Great Depression. Now lawyers and the courts will decide if anyone is responsible for the gaming and if anyone will actually have to pay for society's tangle with the decade's darker side.

The question becomes: After two diversions into mania in less than a decade and after nearly $20 trillion in losses, have those who gamed liquidity by exploiting what seemed like an endless supply of "greater fools" and those who should be regulating the would-be gamers learned anything that will last longer than a few years? Indeed, did taxpayers, who were the ultimate greater fools in the liquidity mania and its collapse, learn anything? More problematic, is a new mania already stirring somewhere beneath the economic surface?

Digital Culture: Changing Operations, Relationships and Brains

Starting in the early 1990s, when we first noted that new data compression techniques would change information distribution and computing capabilities, we have followed the rise of digital culture. For not only were new devices and more complex software changing operational behavior, they were also changing the human beings who took advantage of them. The decade of the aught brought these effects to new highs and the spread of new capabilities into nearly every household. These technological changes brought personal changes as well.

This was the decade that put an end to sizable profit margins for many businesses and put consumers in control of many marketplaces, a decade when what we have called the New Industrial Revolution finally played out. The New Industrial Revolution, which we identified in the early 1980s, took place when marketers and distributors, those who had the direct relationship with consumers, gained market leverage against producers, who had become so plentiful and so competitive that

"Nothing up my sleeve, nothing in my hat – what do you expect in this economy?"

they lost their power to influence markets. Distributors could play one producer in one place in the world against a producer in another part of the world for the best price – all well and good for the distributors. But this past decade saw the power that marketers and distributors gained in the New Industrial Revolution move to consumers. With brick and mortar stores, catalogs and an endless string of Web sites, consumers could play one distributor in one location – physical or virtual – against another in some other location for price advantage. In essence, the Internet economy forced the playing out of the New Industrial Revolution, and when the playing out was completed, consumers held the leverage in the marketplace.

This decade also introduced many digital enthusiasts to a virtual world – an online real-time animated replication of the physical world. Entering one such virtual world, Second Life, users could create two-dimensional animated figures – or avatars – to represent themselves in this world. The avatar being the same gender, age or body type as the user was, of course, optional. This avatar of the user could then be moved in and out of various gatherings of other two-dimensional animated figures, enter commercial establishments, buy and sell things, and meet, date or even marry another avatar. The creators of Second Life wanted visitors to be able to do anything and everything online that they could do in the physical world.

If living a second life seemed insufficiently exciting, users could visit the World of Warcraft, where they could fight the good fight against this or that foe, acquire skills and rewards, and exist in a world completely unlike the physical world. As the decade progressed, a new video game machine, the Wii, connected more of the body to the game world than just the hand on a joystick, enabling users to physically act out a golf swing, for instance, and affect a ball's flight on-screen. As the decade closed, "augmented reality" programs overlaid data-based content on images of the physical world captured with a Web cam or cell-phone camera. Point a cell-phone camera at a building, for example, and information floods the screen, telling the user of the building's history, architectural style or current occupants. Whereas Second Life tried to fabricate a parallel digital world, augmented reality sought to enhance the experience of the physical one. Either way, digital technology was changing how humans interacted with one another and with their physical surroundings.

"Nice try, Brian, but my attorney says a game of 'Rock, Paper, Scissors,' does not represent a binding contract."

The early 1990s mantra about the imminent ability of digital communications to enable a user to do anything, anywhere, anytime came to reality in this decade. With the advent of more powerful laptops and ultimately high-powered smartphones, users could do all the things they once needed a desktop computer to do, and they could do all these tricks on the go, wherever a wireless signal could be found, which, as the decade progressed, meant pretty much anywhere in the country. Watch movies, live television and videos; listen to streaming or stored music, live radio and voice messages; access databases, libraries and archives; type communications, documents and blogs; browse and search the Web; buy and sell goods; make banking transactions; join a conference call and Skype a friend halfway around the world – all while riding a bus or lounging at the park. Social networks created new ways for individuals to interact with one another, social media Web sites such as Facebook enabled users to create new ways to present themselves to the outside world, and networking systems helped individuals access resources and insights from a wide spectrum of other users, most of whom the original user did not personally know. From the humanist perspective, new technology was teaching humans new ways to behave.

These kinds of capabilities, like the "amazing" financial instruments that sent investors into a whirl, came with elevated risks. Terms like identity theft, cyber crime and cyber warfare entered the lexicon, as more and more capabilities meant more and more points of access for those who would use data for criminal or other nefarious purposes. A kind of cyber-security battle was enjoined, with escalating firewalls bringing more sophisticated attacks. As this decade rolled through, risks have reached such a proportion that companies and individuals might need to reassess the balance between risks and rewards, a balance that will no doubt land in the hands of insurance companies…and the courts.

The psychological effects of digital culture are just now being recognized and discussed. What we have called the "short-message brain" is the phenomenon of human thought capacity being shortened and agitated to the point of easy distraction, and beyond that to the point of dependence on constant stimulation. Certainly an "always on" and an "always with you" broadband-connected smartphone can provide constant stimulation, and already, China, S. Korea, England and the United States have clinics and retreats to redress the damages of digital addiction. Those admitted to these clinics are like those who believed in the New Economy or who believed that residential real-estate prices would always rise and financial instruments could outmaneuver risk. They just wanted more and chose to ignore overall costs.

Global Realignment: A Consuming-Producer Dynamic Plays Out

While Americans seemed engrossed in gaming, manias and digital culture, much of the rest of the world moved forward, making substantive changes in how governments interact and in who leads what. Much of those changes were the result of realities seeping into the global set of international relations.

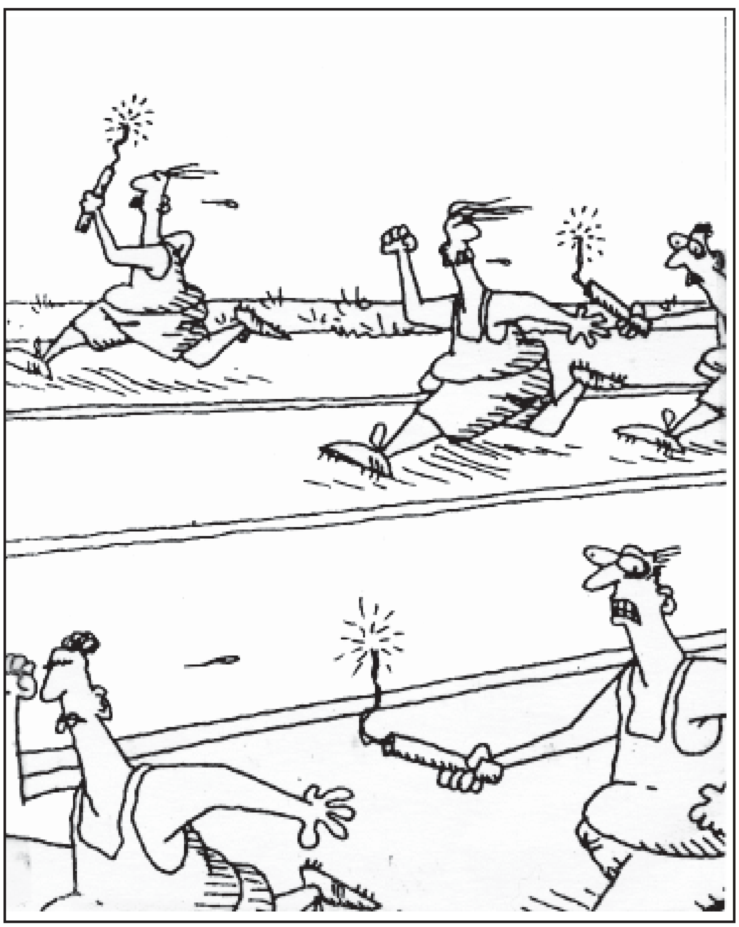
The decade showed the world the effects of large numbers. The great spread of production capabilities increased standards of living in some of the countries with the largest populations – specifically, China, India and Brazil. As a result, millions of people were moving from mere subsistence to low-level affluence – that is, they had more money available to them than they needed to subsist.

The good news of lifting more and more people out of extreme poverty triggered concern: Spreading affluence will stress the world's resources. That realization hit the oil industry as markets pushed prices past the $140-per-barrel price point before settling down. Then markets turned to food supply, and prices of grains and other foodstuff shot through the roof as well. Suddenly water moved to the forefront of people's attention, and conservation became a new issue. Next, countries that import food and had the wealth started looking for arable land to buy…anywhere in the world. Middle Eastern countries, China and others started a "land grab," buying agricultural land in Africa, Central Asia, Eastern Europe and elsewhere, all to secure food supplies in the coming years. China, meanwhile, also looked to secure energy and raw materials to feed its production engine in the years ahead, and it made deals across Africa, Latin America and the Middle East to assure supply. Countries with the money were, as we said, "Making a Move."

During the decade, the U.S. lost its position as the world's lone superpower, and four Power Centers – the U.S., Europe, China and Russia – vied for political position in what we called The Great Game Goes Global, an updated term based on the nineteenth-century Great Game between Russia and England for influence in Central Asia. The contests between economic and political models and the quest for desired resources inspired us to characterize a major portion of this decade as Contentious Times, as countries pursued their own best interests with greater and greater intensity.

Countries that were successfully making a move and exploiting the parts of the world that were enduring the Great Recession were some of the same countries that had aggregated huge amounts of capital by exporting needed products and commodities to consuming countries. For years, consuming countries have been transferring great amounts of wealth to producing countries. In 1973, Western industrial countries got a shocking realization of this flow of money when the members of OPEC decided to force a rapid escalation in prices. World markets were underpricing oil products, the oil producers reasoned, and OPEC decided to force an adjustment. The "oil shock" took nearly two decades to work through the economies of industrialized countries.

A similar wake-up call did not take place with regard to industrialized countries accessing the production capabilities of China and other Asian producing countries. Yet, perhaps such a signal event, little noted at the time, did take place when U.S. retailer Wal-Mart dropped its Buy American campaign and started filling its shelves with products labeled "Made in China."



As a result of that transfer of wealth, the decade of the aught seemed to be a time of reckoning for much of the world, including the U.S. – a time when the true cost of all those wonderful upside benefits came due. Nowhere is that clearer than in the still developing realignment of power and prestige on the global stage. And nowhere is that point more forcefully made than in the realization that in a relatively short period of time, the United States moved from being the world's largest creditor nation to being the world's largest debtor nation…and the price of that transition started becoming clear in this decade.

The manias that swept through Western industrial societies in the decade, and especially the more recent one tied to financial instruments, damaged the trustworthiness of the economic giants of the post–World War II era. China did not come near economic collapse from the Great Recession, as did England, the U.S. and much of Europe, and Beijing's ability to manage its way through treacherous economic times added to the appeal of this rising power among other developing countries. The West and its economic and political models came to be perceived as risky and unreliable by many leaders in developing countries, especially in Africa, while China and its allies in the developing-world coalition came to be seen as steady and effective. New York and London, it seemed, could not be entrusted with the reins of global financial power, as reflected in the fact that China issued more initial public offerings in 2009 than did either London or New York. Since World War II, the Western model of economic development had been installed in the World Bank, the International Monetary Fund (IMF) and World Trade Organization (WTO), but in the aught decade, Russia, Inc. with its "national champions," and the Beijing Consensus – comprising centralized planning, managed currencies, managed economies and foreign policy-linked trade – became competing models and models with increasing appeal to some developing countries.

As mentioned earlier, the biggest force for global change was the huge transfer of wealth from essentially consuming countries to producing countries. That incredible wealth gave producing countries greater leverage in international conversations, at the same time that the loss of prestige among the former economic elite started to force changes in global power arrangements. China became the largest sovereign holder of U.S. government debt, and Europeans realized their energy supplies depended on the goodwill of Moscow and Riyadh. Sovereign wealth funds – several trillion dollars under the direct control of national governments – became a financial force in world markets. African and Latin American countries shifted their gaze from all things European and American to nearly all things Chinese. When in 2009 China offered African countries $10 billion in preferential loans, it was making available more money to that one continent than either the IMF or the World Bank had available for the entire world at that time.

The world's exporting countries, flush with currency reserves, sovereign wealth funds, products and raw materials that consuming countries also wanted, demanded their place at the international power table. Their demands undermined the Doha Round of negotiations to advance trade issues as part of the WTO, and those negotiations finally collapsed completely after failed and conflict-ridden meetings in Seattle, Cancún and Geneva. Developing countries were less and less willing to listen to the dictates of the industrialized countries. As a result, the Group of 20 countries supplanted the weakened and ineffectual Group of 8 as the controlling entity nominally overseeing the global economy.

As the decade was coming to a close, American scientists ran an experiment on the moon that proved the orb had water on its surface, but the experiment had to travel on an Indian space vehicle to get to the moon. Astronauts reached the international space station with supplies in December 2009 but did so on a Russian vehicle, the first of many such trips, because the U.S. hasdbegun retiring its shuttles and had no replacements. Also, when subatomic scientists had one of their major breakthrough projects of the decade, they did not use the collider that had been planned for the U.S. , but had been cancelled by Congress for lack of funding. Instead, those researchers turned to the Large Hadron Collider, which is situated in Europe. In the global Brain Trade, the U.S. was also no longer the lone global super power.

Overall, the power of the dollar and its status as the de facto reserve currency for the world, the appeal of the West's version of capitalism, the prerogatives and perquisites granted to the U.S. for being the world's lone superpower and the so-called Washington Consensus model of business and government all lost ground in the aught decade.

Permeable Borders: One Force Changes Everything

The extent of changes taking place because of these meta-themes – gaming, manias, digital culture and global realignment – has triggered what we have called The Rethinking of Everything – the necessary task of reworking and reassessing what is effective, worthwhile and meaningful; how institutions operate; who or what has power and how it should be expressed; and which metrics work with the new realities. As this process slowly rolls across society, we can expect some social and political instability, slow economic development, shifts in behavior and many unanticipated effects. We also expect that it will eventually lead to a very different-looking global and national arrangement.

The process of rethinking should start with what is driving these meta-themes of change, and that driver is what we have called World War III, the Battle over Permeable Borders, a context we unveiled a little more than a year before the aught decade began and have monitored ever since. When we first commented on this new "border transparency," we observed that drug traffickers, terrorists, hackers, economic calamities, diseases, invasive species, new communications technologies, the Internet and currency traders, among other examples, seemed able to ignore the historical conventions of border and boundary controls. We added that boundary transgressions were occurring in the environment, scientific research, product security, privacy and finance. In so many different arenas and different human activities, the way things had traditionally been was facing serious challenges.

Knocking down barriers started in earnest with efforts to eliminate trade restrictions everywhere, leading to the founding in the mid-1990s of the WTO. The challenge to boundaries gathered momentum when the Soviet Union collapsed and the Berlin Wall came down. The borderless world really gained momentum in the age of digitization and the advent of the Internet. Yet, the wide-eyed innocence of the advocates of permeable borders, however, received a serious blow when Islamic terrorists attacked New York City in 2001. Then countries started to focus more and more on closing borders.

Likewise, when the world experienced the effects of the recent financial and economic collapse, more and more countries started passing bills to protect their workers, companies, currencies, industries and economies from the vagaries of international troubles. And as a symbol of the new concern about the risks of challenged borders, walls started going back up…literally. Israel started building a wall on the border of the Gaza Strip, Saudi Arabia announced plans to build a wall along its border with Iraq, China started raising a fence on its border with North Korea, Mongolia sought to build a wall to keep dust from blowing out of China and damaging their crops, and the United States built a fence along its border with Mexico. As fast as the desire to knock down boundaries had spread around the world, the desire to raise protective borders returned. In such a way, the battle over permeable borders progresses: For every desire to eliminate a boundary, an opposite desire to buttress that boundary pushes back.

This dynamic gave life to those who wanted to game the economy by knocking down any number of boundaries, such as existing regulations that limited banks' operations, ethical standards concerning financial instruments' ratings agencies, rules for controlling who qualifies for a mortgage and the like. And now some want to resurrect those boundaries. A similar story led to the manias, as traditional rules governing valuations and the way to create profits gave way to New Economy and then New Finance thinking. After the manias collapsed, some started yearning for clearer and more precise metrics and rules. Digitization and the Internet permitted greater manipulation of data, an expanded reach for salesmen of new financial instruments and an indifference to local rules or norms governing investments – that is, they enabled users to all but ignore sovereign borders and historically sensitive cultural values, all in favor of some universal neomathematical cultural value set. Recently, however, concerns about privacy and risks have changed some users' openness to digital transgressions. Finally, permeable borders have started changing global power, wealth distribution and political alliances. Whether this will trigger a backlash is not clear, although in this country, some political leaders believe that the U.S. should continue to act as if it is still the most influential country in the world.

"Things have changed since last time you were here. For example, we all drink Cosmos now."

The Future Is in the Present

Surveying these meta-themes, several messages – dare we say "lessons" – emerge, each suggesting a new direction for society, the economy and government.

The Consequences of Bad Decisions Go On and On – Lifting restrictions on banks, invading Iraq, selling/buying trick financial instruments, accepting the reality of a New Economy and so on – the list of monumentally bad decisions from the aught decade is lengthy. Perhaps more evidence-based decisions that depend on ethical judgments rather than wishful-thinking decisions that focus on rewards could follow in the years ahead.

Government Controls and Market Freedoms Need a Goldilocks Story – Too much government stifles market dynamism, but too much market independence foments volatility, even collapse. Across the decade and around the world, excessive government action and excessive financial aggressiveness have caused problems, either in war or in the economy. Right now, the global realignment of power is favoring countries that express strong central governments. However, a "just right" Goldilocks balance would be nice.

It's Not Leverage, It's Just Debt – Investors, consumers, governments, businesses and just about everyone else in the developed-economy countries became enamored of debt. Debt could make real now what would otherwise require waiting, and in addition, debt could be recycled, chopped up, redistributed and then made to bring something else to life that might otherwise require waiting. This could go on forever…until it can't go on anymore. The illusion of growth through debt is one of the greater-fool economy's dark sides. How the management of debt progresses among individuals and within institutions will be critical to the economy's stability going forward.

Permeable Borders Are Still Permeable, and Instability Rules – While some of the bad decisions could have been stopped and much of the decade's damage could have been avoided, the driver that pushed the manias and collapses remains in play: challenges to all borders, boundaries and barriers. Capabilities to cross borders are increasing apace and promise constant insecurity and frequent instability.

Human Nature, When Armed with New Technologies, Can Cause Trouble – Much of what took place in the manias and with gaming has taken place in various ways throughout history. Yet historically, such a societal detour into irrational exuberance took place every forty or fifty years, occasionally within twenty years. The fact that two such periods of excess took place in one decade reveals the effects that new digital capabilities can have. The pace of events is much, much faster, and the human ability to understand what is happening has been swamped, making good decisions more difficult and scams and schemes easier to deploy.

It's Just the Old Falling Apart, Awaiting the New – We sense a seminal change in society embedded in the changes taking place this decade. The world is seemingly passing through a period of monumental change, because the way it has been constituted and operated for years has been failing to deliver effective results. Anything is possible as a replacement, and that is both concerning and exhilarating.

Onward to the Tens/Teens

Our survey of themes emerging during the prior ten years suggests that more change is on the way. We are in a moment when so much real change is taking place that one might be too focused on the details and miss the larger picture: One era is ending and another is beginning. After the Italian Renaissance ended, historians wanted to know "Why?" When the Incas left Machu

Picchu, archaeologists wanted to know "Why?" When terrorists attacked New York, Washington, D.C. and Pennsylvania, Americans wanted to know "Why?" And many people will be wondering why the era of Pax Americana and U.S. dollar hegemony came to an end, or why stability and security at home had to end, and so on. The rise and spread of nostalgia suggests that for now, many Americans are trying to postpone the big questions of "Why?," with a comforting look back to "better" days.

Yet the transition will continue, and some are finding their way into that future. We have seen some signs that culture is slowly changing. In the second half of the decade, the worst kinds of reality programs gave way to rejuvenated talent contests, with one very popular program, "American Idol," displacing the essence of the dog-eat-dog mind-set, "Survivor," as the most watched reality show. The decade featured scores of television programs focusing on murder scenes, cold cases, hospital emergency rooms and other story lines that metaphorically captured an at-risk society worried about its possible demise, especially the decade's leading metaphor, the show "Lost." But as the decade ended situation comedies started returning to network prime time. If anything, programs such as "Modern Family," "Parks and Recreation," "Accidently on Purpose" and "Community" signal a new willingness to smile at human fallibility rather than fear human failings. They do not change economic realities, but they do suggest a culture growing more at ease in an unstable world. One especially effusive program, "Glee," with its tie-ins to the music world and its effusive energy, could revive viewers' spirits and give the music industry a boost as well.

We have observed companies developing new business models to address new market conditions and consumers developing a new set of values to fit with economic constraints that will outlast the Great Recession. We have also noticed a different attitude toward international diplomacy, something we called Deferential Diplomacy, an approach in which all sides get a fuller hearing and considerations are made for differences. These are early examples of individuals and institutions feeling their way into a new culture.

The trouble with rethinking everything, of course, is that eventually something called "the psychology of previous investment" gets in the way – that is, the mind-set that rebuts the need to change anything when heavy investments in money, time, energy or beliefs have already taken place. Albert Einstein gave voice to a similar perspective when he observed that problems cannot be solved with the same thinking that was used in creating those problems.

For the most part, responses to massive gaming; manias and their collapse; digital technology; and global realignment have exhibited the same sort of thinking that let those problems emerge. Yet as the decade closes, the new kinds of interests, activities and mind-sets just cited represent society's real "green shoots," examples of individuals and their society finding a way to get comfortable with new realities.

"Okay, but I'm in charge."

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