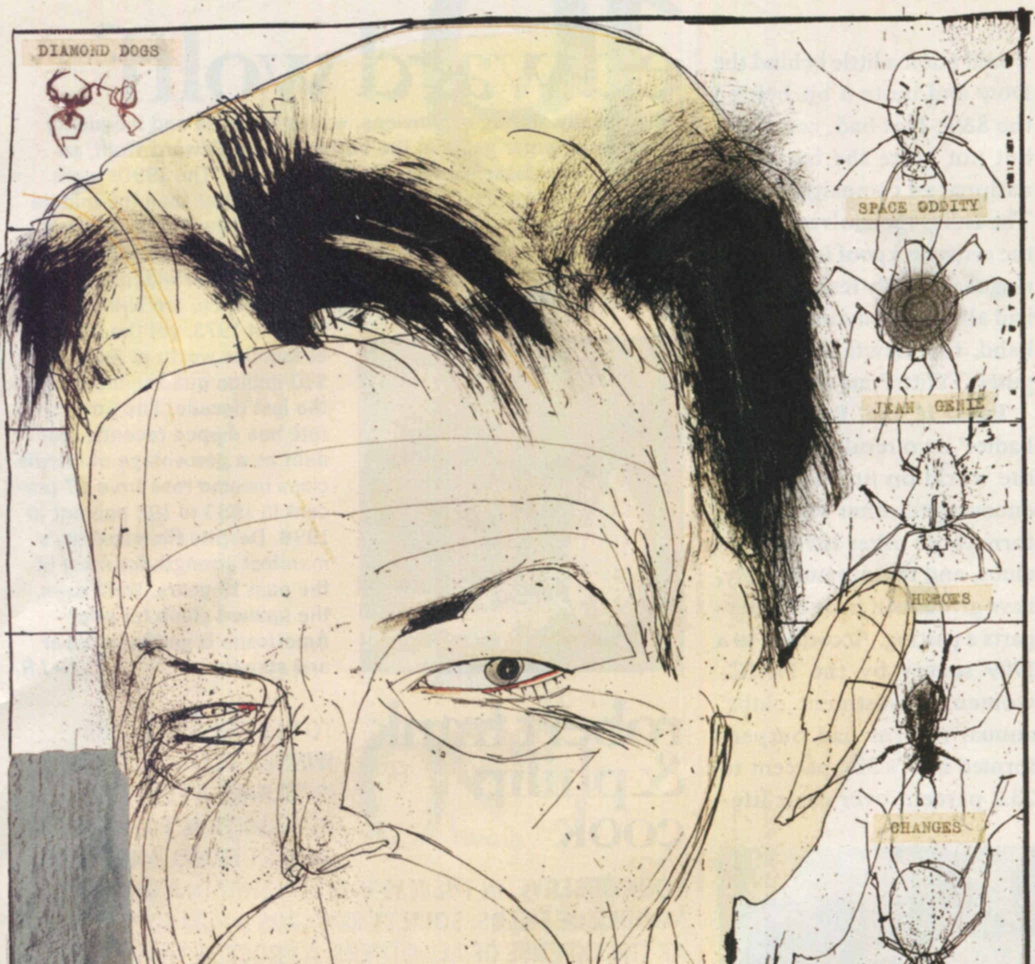

17 david bowie

Selling yourself may be the world's oldest profession, but David Bowie put his own glam spin on the concept in 1997 when he floated Bowie Bonds. The bonds, created by Fahnestock & Co. banker David Pullman, gave buyers a piece of Bowie's future royalties (they were simple asset-backed securities; the twist was that the asset was Bowie's intellectual property). The bonds were a big hit: Prudential took the lot for $55 million. What's next, SPDRs from Mars? *—Jennifer Reingold*

18 the beardstown ladies

And you can keep your cynicism to yourself

By John Sedgwick

IT WAS SUCH A GOSH-DARN nice story, you wanted to squeeze its cheeks, rub your knuckles on its scalp, and give it a piece of candy. Sixteen matrons—including a former bank teller, a hog farmer, and an elementary school principal, all from the tiny farming town of Beardstown, Illinois—pooled their pin money to form an investment club. Ten years later, in 1993, they outperformed not only the S&P 500 but virtually every professional money manager in the land, producing an astounding annual return of 23.4 percent.

The tale restored faith in the financial acumen of regular Americans, especially of the elderly, female, midwestern variety. The women applied their own wisdom based on years of genuine shopping experiences on Main Street and beat the pants off the pros who worked with spreadsheets in their glassed-in offices on Wall Street.

When they won, they won for women everywhere, bringing lethal girl power to what had long been thought of as an all-guy field. In 1988, only 37.5 percent of all investment clubs tracked by the National Asso-

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ILLUSTRATION BY DAVID HUGHES

ciation of Investors Corporation were all-female. That rose to 50 percent 10 years later, pushing all-male clubs down to 10 percent, with coed clubs forming the remainder. Now a remarkable 67.9 percent of all investors in all clubs are female. The NAIC says there is one big reason for the change: the Beardstown Ladies.

No man-bites-dog story stays local for long, and the Beardstown Ladies quickly went national with their 1994 *Common-Sense Investment Guide* (complete with folksy recipes for the likes of one member's Stock Market Muffins—"guaranteed to rise"). It sold nearly a million copies and landed various Ladies on just about every talk show in America. "Our results would put it a little behind the Dow and quite a bit behind the S&P. Not bad, certainly, but not quite the basis of a national ad campaign either. The ladies themselves blamed the error on a goof in transferring their yearly results, which had always been tabulated by hand, to a newfangled computer, Tillitt-Pratt says.

Even if the Beardstown Ladies' own results didn't set the world on fire, they have encouraged other women to form those other investment clubs, and these, remarkably, have given their male counterparts a pasting. According to a 1999 survey by the NAIC, women's investment clubs' annual returns had outperformed men's 32.1 percent to 23.2 percent over their lifetimes. Why? Women show more patience than men, do better research, rely less on hot tips, and apply basic commonsense consumerist principles to stock purchases—buy quality, look for bargains—that have been honed from years of shopping for their families. Presumably, they have also learned to be wary of the hype—whether it be of stocks or of certain elderly, female, midwestern stock pickers. ■

caused a lot of people to pick up the book," says Buffy Tillitt-Pratt, a Beardstown real estate agent who joined the club in 1985. "They thought, Wow! Heck, we thought it too."

But alas, some stories are too good to be true, even—get this—in the investment world. In one of the great whoopsie moments of big-time publishing, it turned out that there was a little problem with that 23.4 percent annual-return figure. Actually, it was more like, um, 9.1 percent, which

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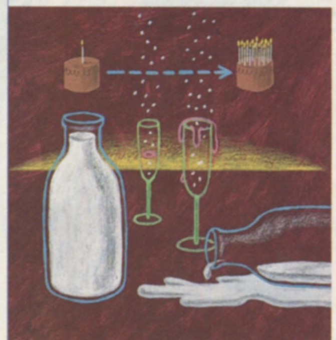
19 edward wolff

"Historically, during expansions, wages increase and inequality falls due to larger gains at the bottom," says Edward Wolff, an economics professor at New York University. "The 1990s were somewhat exceptional in that the rich did better than the middle class or the poor." In his 1996 book, *Top Heavy: The Increasing Inequality of Wealth in America and What Can Be Done About It,* Wolff demonstrates that the wealth gap has been widening since the 1970s. Average wages, adjusted for inflation, are still below those of 1973, yet the number of families worth at least $10 million quadrupled during the last decade. The poverty rate has dipped recently, but debt as a percentage of middle class income rose from 67 percent in 1983 to 102 percent in 1998. Despite the economy's manifest strength for most of the past 10 years, Wolff says, the upward climb for poor Americans is getting steeper and steeper. *—J.R.*



20 robert frank & philip cook

TO SEE THE TITLE, *THE WINNER-TAKE-ALL SOCIETY,* IS TO HAVE A FLASH OF RECOGNITION. ECONOMISTS ROBERT FRANK AND PHILIP COOK OBSERVE, IN THEIR 1995 BOOK, THAT IN A GROWING NUMBER OF FIELDS, SOCIETY REWARDS A FEW SUPERSTARS AT THE EXPENSE OF ALL OTHERS. A PROCESS THAT BEGAN IN SPORTS AND ENTERTAINMENT, THEY NOTE, IS SPREADING. "FOLLOWING THE WINTER OLYMPICS," FRANK SAYS BY WAY OF EXAMPLE, "THE DOWNHILL GOLD MEDALIST RAKES IN SEVEN-FIGURE ENDORSEMENT CONTRACTS, WHILE THE SILVER MEDALIST FADES FROM MEMORY. SIMILAR DIFFERENCES ARE NOW COMMON IN MOST ORDINARY LABOR MARKETS. THE LAWYER OR PSYCHOTHERAPIST WHO IS ONLY MARGINALLY MORE ABLE THAN HER PEERS INCREASINGLY GOES ON TO DEVELOP A PRACTICE THAT GENERATES MANY TIMES MORE INCOME." *—Y.F.*

21 jeff bezos

When he graced the cover of *Time* as Person of the Year in 1999, Jeff Bezos embodied a remarkable new concept: business success without profit. As the founder of Amazon.com, Bezos changed the way we think about money (i.e., how to make it easily) by raising piles of it for an unproven concept, then making stacks more of it for his early investors as his stock soared. Who needed earnings? Hope and potential and the willingness of venture capitalists to hand out money, of investment banks to take companies public at an infantile stage in their development, and of investors to buy into dreams (or hype)—that was success. For a while. *—Edward Sussman*

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