

THE CAPITAL SPILLWAY TRUST

Local job creation for the people, managed by the people

Millions of Jobs for Europe

Millions of new Private Sector Jobs – Without using Tax or Borrowings

Please Note: This paper is based upon The Capital Spillway Trust Response to the United Kingdom government Green Paper; Financing a Private Sector Recovery which was presented to the UK government September 2010.

The Capital Spillway Trust
1 Green Stile
Medstead
Alton
Hampshire
GU34 5LR
United Kingdom
Tel: + 44 (0) 1420 561808
Email: talktochris@chriscoles.com

EN

EN

Contents

Introduction - Millions of new Private Sector Jobs – Without using Tax or Borrowings	3
Central to my input are these four points	4
The Savings of the Nation's of Europe	4
The Capital Spillway Trust proposal – in simple terms	5
How Many Jobs?	5
The Challenge	6
How do we finance the private sector recovery?	8
Let us look at some related details	9
Some very salient points	13
Private Sector Job Creation	14
Chris Coles	15

Introduction:**Millions of new Private Sector Jobs – Without using Tax or Borrowings**

My name is Chris Coles. I am an internationally recognised inventor. As an “Honourable Mention” in the Tour Eiffel de la Space Competition in 1987, France declared me to have the same technological foresight as Gustav Eiffel a century earlier. Gustav Eiffel had shown Europe how to use Wrought Iron to build a 1,000 foot high tower; today I am showing Europe how to use what I call Vanishing Bonds as free enterprise equity capital investment; to very quickly re-prosper Europe’s grass roots economy; to create millions of new jobs.

During the “Europe Next Steps” public forum at SciencesPo, May 28th, European Business Climate session, I had asked: - Bearing in mind Adam Smith’s statement in his Introduction to the Wealth of Nations where he wrote; “The number of useful and productive labourers, it will hereinafter appear, is everywhere in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed.”

Can anyone tell me by how much Europe is undercapitalised? No one could answer.

As I see it, the problem is very simple; at the grass roots level; Europe is grossly undercapitalised; caused by an unintended consequence of the development of complex law, designed to control major financial institutions, which has, inadvertently, destroyed what I describe as the Grass Roots economy; that in the past was the source of the “Capital Stock” that capitalised the first stage, grass roots, job creation process.

In 1994, having sparked a debate within the Governor’s office at the Bank of England, (about the lack of available capital to enable me to obtain European patents in 1992), I sat down and created a set of rules for such investment under the title of The Capital Spillway Trust as a direct response to the UK government proposal of Venture Capital Trusts.

Two decades on and Europe still does not have ANY agreed system, set of rules, institutions, designed to deliver local community savings as new, free enterprise equity capital investment into very small businesses.

All of you were talking about the use of credit; when the underlying problem is a lack of equity capital. You need two forms of investment; equity capital to create the foundations of the job creating business and then working capital, credit, to pay for the movement of work through the business. Today we job creators only have access to credit. The consequence is that there is now a desperate problem with millions unemployed. That the existing economic model has very effectively destroyed the equity investment capacity of the grass roots economy, (where the youth of the planet get their first leg up into productive employment).

The underlying problem is simply a lack of direct; competitive; investment of savings, as capital stock, (equity capital), into new, free enterprise, competitive, very small, private sector, job creating businesses; who create by far the majority of jobs in any nation.

Thus to overcome unemployment; you must increase local community equity investment.

“the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed”.

Central to my input are these four points

1. Trading in “Markets” has placed **ALL** prosperity under the complete control of the existing banks and other financial institutions. But now you have no growth because you do not have any institutional system to capitalise millions of micro size free enterprise businesses; a function once provided by small local community prosperity.
2. We must have in place a set of acceptable rules to enable such low level, grass roots investment. That all dams, (financial institutions are finance dams), must have a spillway to permit the annual flow to reach downstream or you end up, as now, with a financial desert downstream; where we job creators are expected to create a river of jobs in the desert, by pouring our drinking water onto the sand.
3. With world wide now needing many tens of millions of new jobs to be capitalised, you must have a very simple mechanism to provide the necessary flow of capital.
4. We must quickly re-capitalise the grass roots economy. My proposed Vanishing Bonds are simply a way of making a rapid transfer of prosperity; from repayable, but poor value bonds, into non-repayable equity capital; entirely targeting job creation.

My earnest belief is that free enterprise based equity capital; invested with minimum rules; into any new start up business; leaving the originator of that business in complete control; with the manager of the business owning the business; (thus ensuring their vital, personal and economic freedom); is the only way to increase the prosperity of the European economy.

Investment of “Capital Stock” must start at the grass roots level; allowing each small business to grow organically into a new competitor of any existing business supplying the market they address. We need Free Enterprise equity capital investment into the grass roots. There is no need for further government spending as the capital stock is there; but it is simply in the wrong place for such use; within existing, (external to government), capital markets.

The Savings of the Nation’s of Europe.

That brings me to the second aspect of the debate; the savings of the citizens of Europe are today all held by private financial institutions; yet the true function of those savings is surely to capitalise the long term productive capacity of the citizens. I argue strongly that saying that “it is the government’s responsibility to create new jobs” is a complete derogation of the true nature of the function of such financial institutions. That today, governments are forced to borrow from the financial institutions to try and create millions of new jobs.

The net result has been that all the **potential** productive investment capacity of Europe is held by private financial institutions that have **no accepted responsibility** for such investment.

That point was well illustrated by the fact that there was no one from such a private financial institution in attendance at the SciencesPo meeting.

On the one hand governments and the people are now grossly overloaded with debt; while on the other, the financial institutions hold not just the savings of the people; but the result of the gross over-leverage of those savings into many forms of “paper” derivatives; the latter constituting many trillions of financial instruments now realised to be of suspect quality.

The Capital Spillway Trust proposal – in simple terms.

What I am proposing is that Europe must find a way to purchase a necessary proportion of the poor quality, very low value “paper” currently circulating within the financial markets and reconstitute them into what I have described as vanishing bonds. The face value of the vanishing bonds being directly invested into new employment with the corollary that all such investment is immediately deposited into a new small business bank account.

That we remove poor value financial products from the existing private financial institutions and then immediately return them to the banking system as new business banking deposits.

That if we then accept very simple rules for their ongoing use, vanishing bonds can be used to capitalise new, very small businesses, on the basis that for every new employee taken on, (say up to 10 employees), for each new employee, the business receives equity capital and access to further working capital through a direct relationship with their local community; where the local community hold 20% of the ownership of the new business, (and thus provide local peer pressure and oversight), and the new business creator holds the other 80%; but receives all the equity capital investment under very strict rules imposed on the job creator, (such as no substantial income before repayment of the capital; or before reaching the ability to pay at least an 8% dividend on the entire investment; back to the local community).

All of this has been open for debate for many years without criticism and is well known to the Bank of England. Indeed Mervyn King was directly instrumental in my presenting this to the UK government; which in turn created a Green paper; Financing a Private Sector Recovery, to which I presented The Capital Spillway Response to the Green Paper; essentially my proposals for the creation of 6 million new jobs in the UK.

How Many Jobs?

The Berggruen Institute on Governance created the Next Steps in Europe public forum to debate the need for 10 million jobs for unemployed young people. However, that is just one aspect; there must be a similar number, from the other under and unemployed age groups needing work; as well as the need to replace current employment funded by excessive government borrowing, with new prosperous private sector jobs. In which case, surely, we need to create as many as 30 million, or more, new, prosperous, private sector jobs in Europe.

I have therefore re-written my original proposal to create 6 million new jobs in the UK and hereby present a proposal to create up to 30 million free enterprise private sector jobs in Europe by creating up to 6 million new, very small businesses, each creating 5 new jobs.

Please remember; this is an exercise to re-prosper the grass roots economy. My input to the debate; that the correct way to increase local community prosperity is through new, small business job creation; is set out in chapter 2, Job Creation, not Credit; is the primary driver of Prosperity, in my free PDF book; The Road Ahead from a Grass Roots Perspective.

It goes without saying that I will work with anyone, in any nation; to bring about the creation of the new prosperity needed to rapidly reduce unemployment in Europe.

The Challenge

The challenge is not the creation of jobs; but the creation of a working solution to financing the creation of new, prosperous, private sector jobs.

As I have already successfully argued; we do not have ANY working mechanism to fund equity capital into new free enterprise job creation at the grass roots of the European economy.

What I am going to propose will become a new revolution, a new job creation revolution.

I am going to place Europe at the very heart of job creation; as the leading continent; taking the economies of the Western world back into profit and long term success.

The primary problem we address is the millions of unemployed young people in Europe.

Add the presently unemployed and under employed to citizens presently employed using tax income that must be moved into new and equally prosperous, private sector employment. and we are short of at least 30 million, prosperous, well capitalised; private sector jobs.

A secondary, but equally important aspect - we need these new jobs now; so this solution must be able to deliver results immediately and at every level; right across Europe.

The first question to ask is why have existing financial institutions not driven this debate? Surely, if we are addressing the matter of the private sector; why is government involved at all? The answer is very simple indeed; the general prosperity of the nation has been placed into a financial system simply not designed to address the need to constantly finance the necessary replacement of free enterprise based private sector employment in Europe.

Salaries, savings, all of the existing prosperity of Europe citizens has been subsumed, by one means or another; into the Finance, Insurance and Real Estate, (FIRE), economy.

For this reason, we have no option but to accept that the savings of the people will stay where they are and that it is impossible to change that circumstance within any reasonable timescale. For a start, it would require a massive operation to change the laws underpinning the existing FIRE economy customs and practices.

So we cannot use tax, government borrowings or savings to finance a private sector recovery.

We must have a solution that both creates new jobs and does not involve existing funding mechanisms and yes, the instant response would suggest that the necessary funding is simply not available; regardless of the need - I will not accept such negative thinking.

This paper is going to show you how to create new employment; without spending additional public borrowing or tax, nor by risking the existing savings of the people.

Our necessity is going to become the mother of invention.

We must innovate by looking at the problem from a fresh viewpoint and set out to create a completely new form of financing for free enterprise job creation, specific to the single aiming point of rapidly creating millions of new private sector jobs.

The fact is; to create a job, you must first have a prosperous customer who can afford to buy the product or service underpinning that employment. Thus the prosperity of the grass roots of the wider nation is fundamental to the creation of new jobs, and trying to create new jobs without that additional prosperity leads to a constantly weakening economy.

To overcome this inherent problem we have tried to finance new job creation by adding to the debt of Europe and underpinning the debt with associated increases in the value of fixed assets. All that achieved is to flood the nation with more and more debt that in turn, withdrew even more of the prosperity of the nation as increasing capital and interest payments back into the FIRE economy; draining away the last dregs of the underlying prosperity.

Remember, classic leverage, allowing a bank to lend the savers €1 six or seven times, means for every €1 saved through a bank, the bank gets back six or seven €s PLUS interest.

Hindsight teaches us we cannot create a stable, prosperous economy; with leveraged debt.

No mechanism to capitalise new job creation, not enough prosperous private sector jobs and now desperately indebted nations and even the European Community has reached a dead end. No one, on either side of this debate can continue to increase debt.

The only mechanism you have not tried is to capitalise new job creation by making available the equity capital required to underpin the stability of the company creating that new job.

We need 30 million jobs which in turn, require the investment of very large sums of equity capital. By my estimates, €750 billion of equity capital and €1.5 trillion of working capital.

I have proposed that, for each new job created, we invest €25,000 as new equity capital, via the formation of a new small business which creates a new Pay As You Earn, (PAYE), employee tax record for every new employee.

That such new equity capital flows through a “Local” Capital Spillway Trust fund, (*formed by and controlled over the long term, by the local people – and importantly; for the benefit of all of the ordinary people in each local community; not their financial advisors, nor the banks*), and is then directly invested into the new, job creating business; which then must deposit it into their local business bank account.

- The local people thus get immediate new job creation without risking their savings.
- For every new job created, each nation in Europe immediately gets a new source of PAYE tax income combined with a reduction of welfare and public employment paid by tax and borrowed money we can no longer afford.
- The banking system gets additional security for their business lending but their relationship is with the new job creating business, not the government, nor the local people. All the new equity capital flows back into the retail banking system.

You can read the full set of rules covering every aspect of the use of the equity capital in The Capital Spillway Trust Proposal. Right now I will concentrate upon this very simple interface and its direct consequences.

How do we finance the private sector recovery?

The European Central Bank will create a completely new capital bond; a Vanishing Bond.

Our previous attempts to overcome the imbalance in the economy has always been to create new credit that then flows out into the economy and always remains in circulation.

What I propose is that the local people, and the new free enterprise business owners, both of which, having received money as new equity capital to create new jobs; instead of repaying the capital, and thus keeping it in circulation as they pay off the investment into their local community; instead “Vanish” the money as they pay it off, so that over the long term, they deflate the value of the original investment back to zero. They pay off their vanishing bonds.

In that way, over the long term, the injection of the value will not inflate the economy. Instead, we make a major transfer of prosperity, out of the FIRE economy and back into the wider European economy; not by a direct transfer, but instead, by the new business owners creating new, additional prosperity; to pay off the value of the Vanishing Bonds.

You immediately get new jobs, but the investment transfers; rather than adds, prosperity.

Looking first at the new business founder; I have both proposed they remain in complete control of their new business with only 20% of the equity capital retained by the local capital spillway trust fund; and that they are encouraged to “buy out” the entire original investment.

They may own 80%, but will have to repay the entire 100% of the investment.

The control proposed is that the new business founder cannot pay themselves more than an agreed bare minimum salary unless they are either in good profit, paying an contracted annual dividend back to the local people or, if not strongly profitable and remaining a subsistence business, they must buy themselves out by paying off the equity capital by returning all of the original investment back to the local capital spillway trust fund. After that, they own the business outright and only then can pay themselves a better income.

You will also note I have also proposed the additional control of the business accounting system being always available to the local people for their scrutiny and control. No one will be able to run off with the investment. Everyone will be under no illusion about repayment.

The employees must also save and they will be able to see, from that moment onwards, their savings are directly responsible for the creation of their local employment. Thus from this new starting point; everyone will see a direct relationship between savings and jobs. Save to invest will become the new watchword; instead of as now, save to receive leveraged debt.

As this will be a once only new start in new job creation, the local people will also know that they will have to pay off the vanishing bonds to be able to add to the long term equity capital investment for their own local community.

Again, the local people will be left with both the responsibility of when and how they repay the vanishing bonds. In effect, they have been granted the investment of their savings, into new, local, free enterprise job creation, up front, before they have saved a single centime.

I will deal with business failure in a moment.

Let us look at some related details.

The European Investment Bank has proposed creating a fund of €55B. Past experience teaches that local and national governments will spend a large proportion of that money on themselves. They have made no estimate of the number of jobs that fund will create and I suspect it will actually serve to maintain existing local and regional government employment. Regardless, on my figures, (and thus allowing every centime to be spent on capitalising new job creation throughout Europe); that will only create ~ 220,000 jobs.

We need 30 million private sector jobs now! Not at some indeterminate point in the future.

Again, no doubt, others will suggest that we must create new jobs using a “Dragons Den” system to ensure we always invest in the most successful business proposals. Dragons Den investors try their best to pick the ripe plums; the very best potential winners. But we are not in the business of picking winners, the best analogy might be the difference between a gardener trying to sort out the very best cabbage to try and win a gardening competition and farmers planting many thousands of fields and harvesting many millions of cabbages. The challenge is one of logistics. We are not creating a few hundred or a few thousand jobs; we have to think in multiple tens of millions of jobs; like a farmer planting fields of wheat to produce billions of wheat seeds; in our case, €Billions of tax and savings income.

THAT is the underlying aiming point; not jobs per se, but increased economic activity, producing savings and additional tax income for Europe. We are in the business of increasing the overall prosperity of the economy to enable us to balance the books.

Job creation is the tool, but the product is additional prosperity; built upon a vast new foundation of more than 6 million very small new businesses. THAT is the aiming point! To create 30 million new jobs, and assuming five new jobs created for each new business, we must create 6 million new businesses, ~ 220,000 new start-up businesses per nation.

Ergo; the logistics dictate the solution.

But now look at the results. The Vanishing Bond fund will create 30 million long term new, but much more stable and prosperous jobs.

Say average income of €15,000 p.a. so personal income will increase by €450 billion p.a.

Overall, the local EQUITY capitalization of Europe has increased by €750B

Let us look at some other figures:

PAYE Income Tax. Assume an average of €2567 x 30 million = €77B p.a.

Add reduced welfare costs for say, 20 million un/underemployed = €175B p.a.?

Retirement pension payments @ say 9% pa; €1350 x 30 million = €40B p.a.

Remember these figures do not take any account for example of indirect tax revenues that such an injection of capital into the overall European economy will bring.

Again, remember; in the simplest business model, for every €1 in wages we need €3 business turnover, then the national GDP increases by €1.35 Trillion p.a.

In short, we will have transformed the capital base of Europe, increased tax income, increased savings, linked savings to the investment of equity capital into jobs and paid off the original investment by setting a challenge to everyone to pay off the vanishing bonds.

I submit that, with the at present well recognised social difficulties, faced particularly in inner cities, there is a desperate need to, as rapidly as possible, increase the invested equity capital base of the grass roots of local society. I also submit that, try as hard as you like, you will not come up with any other viable solution to the overall problem; of quickly regenerating such a large and prosperous capital base within local communities.

Without diverting from the principals of free enterprise and without government grant and other tax hungry incentives.

In essence, I am proposing to replenish the “hidden” prosperity of the Europe; without such replenishment, you all know for a fact - recovery will be moot.

We must not forget that I have also proposed we need a working capital fund of €1.5 Trillion made available as €50,000 tranches of 25yr ~ 4% stock to set against the equity capital of €25,000 per new job created.

At first sight this part of my thinking might seem irrelevant and counter productive. My answer is to ask: What are we trying to achieve? We are surely in the business of creating a long term STABLE economy. If all we do is capitalise these new businesses and then leave them at the mercy of a rapacious uncompetitive banking system; the banks will have every incentive to destabilise these new companies to gain access to the invested capital.

With the very greatest of respects, I do not believe that the existing FIRE economy has any real interest in the long term stability of the European economy. Rather, the record shows, unequivocally; they are in the business of destabilising the economy for their own ends. We must prevent continuing instability.

We are not setting out to be driven this way and that by a few dozen very large, private sector businesses; we are setting out in the interest of the people of Europe. Our responsibility is to see these new jobs stabilise and succeed. I have already set out in detail how the working capital element should be handled by adding them to the local market scene.

The European Central Bank should immediately set out to create and make available, as a European fund, €2.25 Trillion of new Vanishing Bonds. These new bonds should be underpinned by the same quantum of directly purchased, very poor quality derivatives and other paper, such as non performing loans, from the external financial markets. As I see it, the retail banking system is in desperate need to relieve their balance sheets from the burden of these poor value instruments. By opening a new market for such, purchased in the first instance at very low cost; but at the same time ensuring the value to be replaced back into the retail banking system as deposits; the banks will have ample incentive to follow through.

The chain of access to €750B of these bonds will be via new companies being created, in turn via Tax authorities creating new PAYE records for the new jobs created.

The balance of €1.5 Trillion will be made available via local marketplaces set up specifically for the purpose of dispensing them in 25 year tranches of £50,000 @ 4% p.a. and only open to the holders of the new PAYE certificated equity capital investment into these new companies.

The working capital Vanishing Bonds are thus paid off; “Vanished”, at 4% p.a. by both the people and the new job creating businesses. Over the full life of the Vanishing Bonds, they will vanish within 25 years. Importantly, now you will have well capitalised companies rather than, as previously; grossly under capitalised companies falling down at the slightest “gust”.

The initial equity capital element will be paid off much sooner. Let us assume we set as a target, each profitable new business pays a minimum dividend of 8% p.a. (Remember they must do that to permit the founder to pay themselves a satisfactory income). Allow 1% for the local Capital Spillway Trust fund internal costs and, say, .25% towards The Capital Spillway Trust for long term support, conferences, leaflets etc. then that leaves 6.75%. The people have incentive from only receiving 2.75%, (on 4% money they were given for free), until the vanishing bonds are fully paid off. At that point, the vanishing bonds have “vanished” but their value, now transferred to the local communities as the savings of the local communities, will retain the full dividend income on the total investment. The founder will retain their ownership of the business, but be obliged to pay a return to the local Capital Spillway Trust fund equivalent to the full original investment. If they receive, say, €200,000 equity capital, they have an ongoing commitment to pay a minimum 8% p.a. dividend on the full €200,000. The Capital Spillway Trust will also need funding, particularly during the first stage; I suggest retail banks pay a fee of 0.5% (€125), for each €25,000 business deposit.

The subsistence business founder must pay back the original equity capital investment in full to gain access to an adequate personal income. The local fund may thus reinvest that returned capital as new investment, or, if they wish, use it to “vanish” their Vanishing Bonds. Between the people and founders; they will have ample incentive to get access to the better income from their investment while also retaining the potential to make new investments. In this manner, we create immediate new prosperity in such a way that, as the original bonds vanish, they will be replaced by creating prosperous conventional businesses adding to the overall prosperity of the nation. The new prosperity is transferred across by profit.

The business that fails has received investment that would have produced an income for both the founder and the local people. When it fails, both the business founder and people lose out. So the answer here is the value of the Vanishing Bonds will vanish when the business fails, (very interestingly, exactly as with an Islamic Banking Sukuk), but as we can see, both sides lose out; no one has any further income. Both sides lose out from the failure of any local initiative while the value of the investment remains in circulation within the local community. Unlike a bank loan, the initial investment remains in circulation as additional prosperity.

Local people are not risking their savings to create a “local” Capital Spillway Trust Fund. Any local group of people may do so; indeed many separate groups of people may do so in any local community. These local funds encourage others in their community to create new companies via the existing national Companies House systems with the existing local solicitors and accountants providing the legal and regulatory overview as they already do with all local businesses. “Local” peer pressure oversight is a vital element in these proposals.

When any new business so created takes on an employee, they must as always create a PAYE tax record for the new employee. At that point, the new business will receive €25,000 equity capital investment on free enterprise terms. As the business continues along its development, it will need access to working capital and that will be made available via many markets set up to dispense such to these new companies in the form of 25 year loans at 4%. (Look back in time and industrial history will teach you that those were the terms, 25 year notes @ 4%).

NO ONE may spend the money willy-nilly; all the money is used for the development of the business to create new, long term, stable employment. The local Capital Spillway Trust fund does not receive any income UNTIL the business becomes profitable, at which point they receive a minimum of 8%. Of that, 4% minimum goes to “vanish” the bonds, 1% their local costs, .25% to The Capital Spillway Trust leaving them 2.75%. When the full value of the Vanishing Bonds are paid off; vanished, their income increases to a minimum of 7.75%. Subsistence level businesses, (paying all their taxes, employees wages and the founder a small income, but not highly profitable), must repay the original equity investment back to the local fund for reuse before the business founder can earn more than a subsistence income.

Even these are to be encouraged to retain a relationship with the local fund for the long term.

Any failure eliminates the possibility of either side gaining any income. All have incentive for the investments to succeed. As, as much as possible of the money so invested, will have already been spent within the local economy; local prosperity will even result from failure.

All the money has to travel from the initial vanishing bonds, immediately into new equity capital investment into new job creation and working capital into new business development. Of particular interest, in this way, the existing FIRE economy cannot skim off a centime before it is fully invested into new job creation. The FIRE economies incentive will be to follow through with suitable products to suite the new business environment which will inevitably become very much stronger and more competitive.

Yes, there will be a strong imperative for existing medium and large businesses to feel threatened by the new competition created. Competition is always good. They will have to adapt to survive. However, I am sure they will follow through and as this transfer of prosperity gains traction, there might be a powerful argument; based upon the added stability caused by a small business community being founded upon a strong capital base; for every business to follow suit. That the long term result will be much greater economic stability built upon a strong small and medium business community. (The German model I believe).

Perhaps, when the initial success shows the way forward, the vanishing bond will become an integral part of the long term revival of the Western economies. In which case, we ought to think forward towards much better capitalised businesses in Europe.

Finally, some will step forward and say it is impossible to create new jobs on this scale.

My answer is to say I am not by any means the first person to suggest that the solution to the Western economic model is the re-capitalisation of the grass roots of our society; but perhaps I am the first to show how that can be done; successfully.

Moreover, it will not cost a single extra centime from the existing failed economy to find out; so, why not try some new thinking?

For those of you that have yet to read the underlying documents; The free PDF book titled *The Road Ahead from a Grass Roots Perspective*, *The Capital Spillway Trust Proposal*, *The Capital Spillway Trust Constitution*, (for the local capital spillway trusts), and my comments placed on *The Times*, *London times* free access online web site, (which no longer exists); can all be found on my personal web site www.chriscoles.com.

One small but necessary change to my own thinking has been that, while I have freely given the use of these proposals to the ordinary people for their own use; for the time being I am going to retain ownership and control over *The Capital Spillway Trust* itself. My long term aiming point is to create an independent charitable foundation; but without any financial support so far, that is a long term objective. My reasoning is very simple, it is imperative that the underlying thinking is retained as a working structure for the benefit of everyone; at every level of Europe. In any other circumstance, it would be possible for the defined purpose of the trust to be diverted away from its primary function; supporting the ordinary people of each and every European local community in new job creation.

Any profit created by *The Capital Spillway Trust* itself will be ploughed back into new job creation on the same basis as any other local capital spillway trust fund. Perhaps we might create a combined long term research centre with a small head office. Employment will be on normal commercial terms. No bonuses will be paid to anyone. The long term aiming point is to create a completely new, totally independent savings institution; dedicated to the capitalisation of new, free enterprise based job creation at every level of Europe. Indeed, any nation; as I believe this new thinking will find many supporters world wide.

Some very salient points

The new business will only require the founders pay the initial costs of forming their new company and producing a viable business plan. This will be a once in a lifetime opportunity.

You will hang, right out in full view; the potential for ANYONE with get up and go, to create a profitable, free enterprise based, private sector, job creating business for themselves.

Not a single centime of their existing savings risked by any saver.

Not a single centime invested without a new job being created.

Not a single centime spent by any government employee; all the money goes directly into new, free enterprise based, private sector job creation, right at the grass roots of the nation.

The necessary legal and accounting framework is already in place in each local community.

The clear potential for a massive reduction in welfare costs allied to a corresponding increase in tax income. Perhaps for the first time in generations, Europe's books will balance.

We should also now see that this new investment opportunity will draw many presently employed by government to see it in their own interest to become local employers themselves

Competition between these new companies will ensure the added prosperity will also be reflected in the earnings of the employees. They have to be able to attract and keep an employee to retain the equity capital investment while maintaining a good profit.

Thus, apart from a small proportion which the rules target towards developing inventions and longer term research, almost all the investment is driven by the availability of employees; if you cannot find the people you will need to work for you, you cannot receive investment. The investment will thus naturally; without any further incentives; flow towards the unemployed.

One very interesting aspect is that we should see a clear recognition of the need to reign in fixed asset price inflation. Those local communities that keep their fixed asset costs under firm control will see a much stronger success rate for their local investments. Why? Because it will be dividend income that brings the new prosperity; not asset price inflation.

Finally, this will form the firm foundations for the long term development of new regional stock exchanges, which must now be firmly based upon legitimate trading to the rules of a true free market; and thus targeting both the equity and working capital needs of these new small and medium sized businesses in their local communities.

Private Sector Job Creation

There is no doubt in my mind that we can and will, very quickly; create 30 million private sector jobs using this system. What people have to bear in mind is the missing potential.

We have lived through decades of negative attitudes towards new, private sector job creation.

The “Global” economy will argue we cannot compete. I will argue we will have to recognise that the only way to compete is to once again become reliant upon your own local community for as much as we need in each nation. Instead of buying the cheapest from a super market, but seeing a large part of our nation unemployed; we are going to have to learn that we must both encourage others to produce a better, yes, more expensive product here; but see our communities, our children, in long term and prosperous employment.

Now we can look forward to many more in prosperous jobs designing and making everything we need; but at much higher quality. Fine ceramics on a fine, hand made table, bought from the local community where your son or daughter also earns a good living is a starting point. But long term we must now recognise that we have everything to hand to once again become successful and prosperous. The one thing always previously lacking was the necessary equity capital investment to permit us to succeed. Not any longer.

At last we can bring a complete stop to the silly idea that somehow job creation is some form of “dodgy enterprise”; that the job creator is somehow antisocial and a potential thief of the people’s savings. Now we can let everyone understand that ANY well paid job, where their employer pays their taxes and local costs, is a job worth its weight in gold to the local and European economy. Job creation will become the pinnacle of achievement for anyone in their local community; the person most will look up to as an example of leadership.

We do not have to always buy from Japan or China. But to change direction, (or face a future of continuing to be the slaves of another national economy or the “banks”), we have to have the courage to believe in the capabilities of the young to learn the lessons of the past and start out to create a new prosperity.

I have the temerity to believe we can change direction and once again succeed. So, why not?

Chris Coles

For those of you new to this particular debate, my name is Chris Coles and I am a British inventor. No, not well known, but I am the inventor of all the camera phones combined with navigation systems such as GPS. My story, in part, stems from a lack of available funding more than two decades ago, which in turn led to the abandonment of patents which would have underpinned what became a very major international industry.

By the late 1970's I had already placed a decade of thought into my evidence to the Wilson Committee that became a full Business Page feature in Investors Chronicle, May 1978. Another twenty years went into my presenting further very detailed evidence of the lack of available funding, which in turn led to my letter published in The Times, June 2, 1992 asking: "Who leads the savings institutions towards longer term investment in the nation". My evidence on the subject of Venture Capital Trusts and first approach to the Bank of England May 1994 led to direct correspondence with Mr. Eddie George and then, being interviewed by London City bankers who told me "it was the government's responsibility to create jobs."

Thus even then, nineteen years ago; three decades of thought had already preceded the creation of what is now The Capital Spillway Trust. Add another sixteen years of careful review and additional input leading to every aspect of my own personal experience being brought together in The Road Ahead from a Grass Roots Perspective, published as a free PDF Sept 2009, and add a further thirty five months of continuous comments placed on The Times online web site up until August 2012. All of which have now been downloaded from all corners of the planet, by people interested in this debate.

Early 2010, I again approached the Bank of England, this time Mr. Mervyn King, resulting in his personal letter to me suggesting that I contact the government. I did as he suggested but received no reply, but after the general election, I again presented my thinking to the Cabinet Secretary and shortly thereafter Her Majesty ordered the presentation of the Green Paper; Financing a Private Sector Recovery, to which The Capital Spillway Trust responded.

Now, June 2013, I am revising those proposals to address the need to immediately create, at least; 30 million new, free enterprise, private sector jobs throughout Europe.

My thanks to Euromoney Seminars, The International Financial Law Review and the Berggruen Institute who have presented me with the opportunity to attend various finance and banking conferences over the past year; such opportunities are very much appreciated.

Chris Coles

Founder

The Capital Spillway Trust

1 Green Stile

Medstead

Alton

GU34 5LR

United Kingdom

Tel: + 44 (0) 1420 561808

Email: talktochris@chriscoles.com