

THE ROAD AHEAD

From a Grass Roots Perspective

Chris Coles

I believe that I open a legitimate debate about fundamental flaws in the way our banks, other financial institutions and government departments operate. That there is no mechanism in place to enable investment of local savings as free enterprise based equity capital back into the local communities and that we now live within a feudal mercantile economy. This book will show you how a few, very simple changes to our thinking; will bring the full power of Free Enterprise, Free Market Capitalism, back into play for the benefit of everyone, at every level in the wider society.

Please, participate in this debate. If there are matters raised herein that conflict with your understanding of what needs to be done, come and talk about your concerns.

Whatever you do, be certain of one thing;

This debate will not go away.



Successfully,
Thinking outside of the box

The Leonard R. Sugerman Press

www.lrsp.com

Published by The Leonard R. Sugerman Press
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ISBN 978-0-9726484-3-1

7-16-2009

Typeset by Chris Coles

Also by The Leonard R. Sugerman Press

A new enlarged edition of: INNOVATION by William Kingston Published 2003

The Universe is a Cloud Some raw food for thought by Chris Coles Published 2003

The Universe is a Cloud of Surplus Proton Energy by Chris Coles Published 2017

The Leonard R. Sugerman Press Limited
registered in England and Wales - 6528086

Acknowledgements

There are far too many individuals who stepped forward to help me over the years to be able to name them all here; but one stands out above them all, Eric Janszen. EJ founded www.itulip.com in 1998 to debate and accurately forecast the collapse of the dot com bubble. Sometime afterwards EJ shut the web site down. However, during 2005 he re-opened itulip.com to again, accurately, forecast the collapse of the US banking system. It was during that period, I had the good fortune to come across both EJ and www.itulip.com in the process receiving the honour of being invited to become a volunteer member of his Shadow Fed Committee, which set out to review the regular interest rate decisions of the United States Federal Reserve. That in turn gave me a platform, along with the now many thousands of others from all corners of the planet who come together on iTulip, to debate the ongoing problems, not just within the United States banking scene and the wider \$US economy but also the related difficulties caused within the economic systems of the rest of the planet.

My thanks also to the editors of The Times, London, for introducing a reader comment section to their excellent web site www.timesonline.co.uk and accepting many of my comments for publication.

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Foreword

The growth of the financial services industry has created a situation where local community investment in new start-up companies has effectively ceased to exist. I defy anyone to show me where to find the INSTITUTIONAL free market for new capital for new business? In fact, such a market place does not exist.

The savings institutions say, if we invest, the business might fail and we will lose our money. I argue WE in this context IS the Nation and that new investment must continuously take place to renew the overhead of the nation, and, that such investment must be at all levels of the nation.

Equity capital investment is the rainfall of the human environment. Restrict it and the human society dries up. Ordinary people cannot pay their own overheads and the result we can all see. As with deserts, no water means no growth for crops. With human society, no new investment means unemployment, and unimproved, poor mean living.

The reduced tax harvest from the many unemployed and underemployed means in turn reduced tax expenditure right across the board, whether in education, health care or infrastructure. Personal savings are similarly reduced.

Our Financial Institutions, the bedrock of the nation's fabric, need to recognise that they must create a free market in capital for new investment. The business venturer's freedom to create new long term jobs must be underpinned by investing capital being available to allow them to try, to venture.

Such ventures are surely the great river sources of the nation's vitality.

The idea that Government intervention, tax breaks, special interest groups and the like, can in some way replace a free market in capital, is quite frankly; ridiculous.

Equally ridiculous is the idea that I, and people like me, should be able to create jobs without free access to capital; that we can create a river of jobs in a desert by pouring our drinking water onto the sand.

You cannot have financial institutions, or their friends; trying to own a majority stake in the honest, free enterprise efforts, of a free society. It has been a great error to believe otherwise and it is now time to recognise this simple fact.

It is time to create true, free marketplaces, for capital for investment in those honest efforts of, arguably, the hardest workers in your free society – innovators, inventors, new job creators.

This book developed from a starting point of several papers written over a period of some eighteen years, about the problems of raising capital for a small business; particularly a hi-technology start up in the UK.

- Evidence of due diligence in attempting to raise capital to pay patent filing fees presented to the European Patent Office December 9, 1991⁸
- Submission presented to HM Inland Revenue on the subject of Venture Capital Trusts 1994
- Proposals for A Capital Spillway Trust - 1994 onwards
- Draft Petition to the United States Supreme Court asking the question: Is the United States Government Ultra Vires if it does not at all times act to the highest ethical standards? October 2005.
- Adventure and Essential Freedom – The Missing Elements of a Rich Cultural Life in a Successful Economy. First presented as a new thread on www.itulip.com¹
- The Road Ahead from a Grass Roots Viewpoint. First presented as a new thread on www.itulip.com²

Preface

Adventure and Essential Freedom - The missing elements of a Rich Cultural Life in a Successful Economy

Our economic system is in collapse and needs revision. Missing from the debate are words such as; savings, capital, investment, industry, but most importantly, adventure. It is adventure that is missing today. Children are brought up to believe in adventure, yet, as soon as they leave school, instead of adventure, they are faced with work and responsibility. Looking back at a more successful age, the companies that built the new industries were pioneers; adventurers. Aircraft, shipping, and computing are but a few to spring to mind. Then, banking was not any part of the life of the majority. Money per se was always secondary to savings and investment, with by far the majority of those savings invested, at arms length to protect the essential freedoms, as equity into industry.

Very few people create completely new industry, new adventures. For the majority, the only chance of adventure was to work for a pioneer. But by the same token, the majority could claim their own part in the self same, essentially free adventure. They too became pioneers and could become as much a part of that adventure as the originators of the industry. There are particular aspects of such adventure that need to be recognised. This is not a corporate thing, it is a very human aspect of the nature of a successful nation, that there must be adventurers who in turn, create the aiming point for everyone else, they create a shared adventure while remaining, essentially, free.

Today, investment is not targeted at the idea of creating a successful nation; led by adventurers at every level of society, but instead, is entirely targeted towards maximising profit for a very small group, banks. Banks of one form or another dominate the economy; yet they are simply a business trading money. They have no established responsibilities towards the nation and have no function other than to create profit for their shareholders. I was struck by a single sentence in the Richard Report³ to the Conservative party about the state of the government small business advice service;

"the growth of major companies is fuelled by the acquisition of more innovative smaller ones", (Page 42 Appendix C).

In my humble opinion, that single sentence tells us why we no longer have a successful economy. Today, instead of arms length investment into essentially free companies, all investment is predicated towards sweeping any new company into the arms of a larger competitor by a process called Mergers and Acquisition, (M&A). In the process, creating large rewards linked to little responsibility for the chain of individuals involved. Every one of them, venture capitalist, private equity, linked, one way or another, to a bank.

Where are the savings institutions? Where is the debate about those longer term responsibilities to maintain arms length investment into an essentially free and successful society? I do not hear about this from any political party today; why is that so? Before I answer that, I want to share a small discovery I made recently. I have opened a debate with the UK Intellectual Property Office regarding the problems of the individual inventor, (the striking point for the spark that creates all new industry), when facing the payment of substantial patent application and renewal fees from their normal household income and had made a reference to German Landesbanks, who, by helping in the creation of a vast raft of independent businesses; underpin the success of Germany's industrial economy. So I went on line to find something about them and found this statement on page 81 of the 2005 Annual Report of one of them, LRP Landesbank Rheinland-Pfalz⁴.

"The Bank continues to considerably promote the arts and sciences and to support humanitarian endeavours both directly and through a dedicated foundation established more than two decades ago. Beyond its entrepreneurial assignment, LRP's social commitment is geared to strengthen the social fabric in Rheinland-Pfalz and to contribute to the supraregional reputation of this location. The Bank supports and promotes manifold initiatives recognizing that art and science, local traditions and forward-looking research, conservation and entrepreneurial creativity are all essential elements of a rich cultural life, for it is the culture of a country, which reflects the knowledge of its society. Preserving and increasing this knowledge is an integral part of our corporate culture. In addition, the LRP art collection comprises far more than 2,000 works of art focusing on Rheinland-Pfalz artists, in particular paintings, graphic arts, photographs and sculptures."

The answer to the earlier question becomes obvious; today, no one running the banking systems here in the UK and the USA takes such responsibilities to heart.

Nothing could be further from the mind of the individuals in the M&A chain, than the preservation of the "essential elements of a rich cultural life". The consequence of that failure is profound, as it permeates throughout or own culture, and it is not just a failure of the banks, but also of our entire political system too. No one recognises any responsibility for our failed economic system. As a result, everything we hear today is all about how we can prop up this or that bank, bail out this or that part of the economy; but never once admit that the system is broken and unworkable. Too many have a vested interest in not admitting they have themselves played a considerable part in the failure.

How do we change direction? We must start with acceptable aiming points for new, essentially free, investment; and we need to define the essential elements for a rich cultural life, for everyone, not just a few bankers and their friends.

How much investment do we need, first to bring us back to where we were half a century ago and then, how much, year on year, is needed to maintain that success? The funds must come from savings and they must be invested, at arms length, by savings institutions that in turn, must learn to recognise their long term responsibilities. New well capitalised industrial employment needs something like 25K equity per job, so assuming we aim to migrate a substantial number of both the unemployed and unnecessary government employees back into productive employment, we can assume we need to capitalise say, six million jobs? That will require we save and invest 150 billion as equity and will probably need an additional 300 billion of working capital.

Considering the investment banking industry has recently lost a corresponding amount; we would simply be replacing paper losses with completely new investment. Moreover, into real productive capacity on the ground, not vapour ware, the imaginary value of a piece of paper.

From that point onwards, if we need to create another million new jobs per annum, then we will need to save and invest 25 billion every year from then onwards, with another 50 billion as working capital.

That is new industry, not revamped, re-branded or deconstructed conglomerates, but completely new, essentially free, industry. So now we have an aiming point.

And yes, you are correct, the present banking system will say that is impossible; the answer any monopoly gives when faced with competition. But, if you look carefully at the self same organisations, you will discover they have the answer in their waste paper bins; all the essentially free investment opportunities they choose to ignore because they cannot make use of them within their own paradigm, M&A.

For every business plan invested in today, literally tens of thousands are thrown out for one reason or another. By far the majority, not because they would not be successful, (for they know full well that they can never answer that question with certainty before investment), but because they are too small, or too independent minded; refusing to be entrained into a similar system to human slavery, to be purchased and quickly sold on to the highest bidder with total loss of their essential freedom, to compete.

Legitimate competition must be established in every marketplace, particularly the markets that channel new investment into the wider society which is today starved of free enterprise investment, adventure and the essential freedoms that underpin a rich cultural life in a successful economy.

It is my contention that the core reason for the collapse of the present system is our failure to create a free marketplace for capital. And yes! The present system is not a free marketplace and exhibits all the elements of a monopolistic feudal system.

This book will show you all how I have come to reach that conclusion, what rules need introducing to create a basic structure to support the required flow of new capital and then I will set out in detail a debate about the various aspects of how we should view the function of capital markets from now onwards. You will also discover that I also open an essential debate about the need for government, the font of all law, to always act to the highest ethical standards.

As you will see from the next page, I am not alone in asking such questions and, to a significant degree, my long journey of discovery of the facts has brought me some recognition.

From The Times - July 16, 2009

UK unemployment hits 14-year high of 2.38m

Gary Duncan, Economics Editor, and Gráinne Gilmore

<http://business.timesonline.co.uk/tol/business/economics/article6713651.ece>

Chris Coles wrote:

In 1994 I was asked by the Bank of England to meet with two bankers from the City (to allow them to meet someone with new thinking on job creation, sic!) only to be told that as they saw things, "it was the governments responsibility to create jobs" Nothing has changed, no one takes any responsibility. It is a very expensive process, taking many years, to create a stable business that can be certain of long term employment for their employees. But no one talks about the process, the need to properly capitalise that new business. The government tells us it has put to one side £1 billion to create 150,000 new jobs. But to create a job, you have to invest enough equity capital to pay the employment costs of all your suppliers for as long as several years or more. So how does spending £6,666 tax create a new job? All that does is pay for the new government employees they employ to encourage everyone else to take the risk. No one is discussing where the new equity capital is going to come from. Why not?

See also:

From The Times - July 21, 2009

Osborne plans to arm Bank of England with tough new powers

Patrick Hosking, Katherine Griffiths

http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6721219.ece

Chris Coles wrote:

The Bank of England once had an Industrial Department that was tasked with keeping a watch on industry while, at one and the same time, as a nation, we lost much of our historic industry, particularly our heavy industry. Today, we see our primary industry as being banking. So, on the one hand, the changes proposed by Osborne is good news and I for one support the idea of bringing the supervision of banking under the one roof.

We have propped up our primary industry, banking, but have no debate at all about the unanswered question as to where is the commitment for the supply of the equity capital we will need to replace our industrial base?

Continued online

Chapter 1

Opening the Debate

Today I believe that we live in a feudal mercantile, not a classic capitalist society and that the label “Capitalism” has instead been high jacked by the Finance, Insurance and Real Estate, (FIRE), economy to cloak the feudal mercantile economy with a false identity. But rather than continue to pick over the bones of a failed economic strategy, we must start to look ahead, and to that end I open with a quote from the Times, London, January 15th, 2009:⁵

“According to insolvency practitioners grappling with the growing queues outside intensive care, more drastic treatment will be required for many small firms.

**That will often mean raising fresh equity
to pay down debt. But from where?”**

Authors note: *Surely one would be forgiven for thinking that with our Anglo-Saxon capital based society having been in place for more than a century, that would be a silly question to ask and even sillier to suggest that there is no answer. But in fact, the answer is nowhere!*

They continued: “Entrepreneurs are in no mood to remortgage their homes and the venture capital industry deserted small businesses long ago. Lord Mandelson's £50 million for a new enterprise investment fund is trifling.”

This book will set out to define an answer to that question, where to find fresh equity for small firms? And, if £50 million is trifling; how much do we need and how do we restructure our thinking to obtain it?

For the record, I am a British inventor. I will be 65 this year, and have been in business, investment and inventing since the 1960's, so I feel I bring into the debate a very broad experience of the events and business

environment of nearly half a century. Most of my experience has been as a classic “ideas man” with a very good record of thinking beyond the imagination of the day and I want to bring you into focus with where the economy of the Western world should be going from now onwards from my grass roots perspective.

If my point of view is to have any value, then it is vital that you can see where I come from, so I am starting with a brief potted history of the seminal events, good and bad, that have shaped my personal view, that venture capital and private equity do not fulfil the needs of a fully free enterprise society. That the question posed by the Times in London last week opens the door to a much wider viewpoint that must be urgently debated.

Do not, for one moment, think I am some sort of closet socialist. My grandfather, Francis George Coles, had been a Jobber on the London Stock Exchange and by the late 1960's I was financially successful, working as a highly skilled artisan in industry and already investing in shares of local companies via a local stockbroker, and from that association came the idea, with the help of a friend, to set up our first business⁶, repairing freight containers and trailers moving through Southampton Docks here in the UK.

Thus early 1970, I stepped out into as competitive a business environment as anyone could imagine. Every single job had to be competitively quoted on the dockside taking handwritten notes while standing quite literally face to face with all our competitors with no quarter given, nor taken. I thrived in that competitive environment. We expanded rapidly and successfully.

But the whole experience ended after three years just as rapidly, not because of any decision we had made, but because of a combination of international dock strikes and our inability, over a single day, to be able to show our bankers that we had complete control over our market. And that taught me my first lesson. We came to a complete halt because we were grossly under capitalised and what finance we had, especially as our latest funding had come from Hambros Bank, a major City of London Merchant Bank, was structured in such a way that we were unable to withstand what was a short term “shock” to our otherwise very successful business. That it is very dangerous to expand a business with credit rather than equity capital.

We heard, not long afterwards, that our customers deeply regretted that they had treated us in the way they had, causing our demise, but by then it is always too late. So my first years were a firestorm of experience. But there were a whole pile of inter-related aspects that also started to point to where I am now. One of the products we had developed during those early years was what I called Portable Housing Units. Using the freight container dimensions and corner blocks, we were already selling, internationally, portable offices that could be transported within the freight container system. I suspect that I was the originator of what is today, a substantial international business. But there was no obvious structure to finance such a separate new business from a small, grass roots production facility where the underlying business was already in difficulties.

In the UK at that time, and still to this day, if you go bankrupt in business, you are a charlatan, a form of antisocial petty criminal with all that that description implies. But I did clear all my personally secured debts to the principal private investor via a property development.

I gained a very good position in South Africa to set up container repairs throughout the Transvaal, based in Johannesburg, ordered to create a new subsidiary of Anglo-American Safmarine and treat it as my own business. However, the South African government would not grant me a permanent residence permit, (I later discovered afterwards from a friend who once worked in the South African government that the most likely reason being that I had written on a single page form that I am an agnostic).

Turning back to experience gained with repairing freight containers, I then designed and filed for patents, a completely new form of blast cleaning device. In essence, I took the many times more efficient concept of wheel blasting, where grit is slid down a rotating blade, instead of blown down a compressed air tube, to create a hand held wheel blast unit that brought all the advantages of wheel blasting into the hands of the old fashioned user with an air compressor. Built a prototype, and successfully demonstrated it. Once again, there was nowhere to find that initial capital injection. So this time I got myself in front of what had been the major metal finishing business in the UK, (indeed, the world), and made a new mistake, I had been advised by a "City" friend to hold out for retaining the patent rights and renting them for a peppercorn rent and came out with nothing. Ouch! Another lesson learned.

But what was of greater interest was that, unless I was prepared to sell the rights immediately to the largest business in that marketplace, there was no other source of funding. Not on any terms. You either sold the idea or nothing.

Not long afterwards, the metal finishing business, now led by a new high flyer that had arrived just before me, re-structured the business, threw out the old core, long successful metal finishing side, and let the management buy it. But they too collapsed due to being unable to ride out the short term change in direction of the underlying business, I must assume from being under capitalised too. So perhaps the experience was better to have burnt my own fingers in the way I did, for the experience, rather than become a part and then see it all disappear. Either way the result was, in the end the same. I was eventually granted the UK patent, GB1552679 but was, again, completely unfunded and had to, again, move on.

Next I carried out a full exercise to create a Treated Straw Plant. If you mix ~ 3% Caustic Soda with the waste cereal straw from wheat farming, and run that through a pellet mill you can use the resulting product both as an animal feedstock and also as a feedstock for Kraft paper production. I had suppliers, customers, plant, premises in a perfect location with ample raw materials on the doorstep, local authority permissions, everything I needed but finance. Try as hard as I could; I could not find the funding I needed on any terms. The main players had already put their money into a major multi-national located nearby who had also spotted the opportunity and no one was going to let me compete. I had no option but to walk away.

There was no structure, no where I could raise capital to compete as the multi-national financiers were the source of capital. So by now you are getting the idea of where I come from today.

In 1977 I turned to contacts I had already made in the local university, Southampton, where, with the wonderful help of Dr. Ronald Foyle, a Senior lecturer in Mechanical Engineering, we had already formed what we described as a Project Development Group. So here was I, schooled where no one thought to encourage you to go to a university and thus trained as a skilled artisan, sitting around a table with six academics, all of us with exactly the same experiences; ideas for products and no funding. The high point for me was being given a Common Room Pass so I could sit down and drink tea with every Don in the university.

I learned very many things, particularly, that I was experiencing the same problems as everyone else; primarily, no funding. There were fine scientists around me with a constant flow of new thinking that they wished to test on the marketplace. No one had any access to capital. Our High Street banks knew what we wanted to do, but they could only offer the classic mercantile economy solution, a bank loan set against a capital asset, mainly your home, backed up by your home income. Moreover, the local high street banks had no direct connection with capital.

During 1978 Harold Wilson, ex Prime Minister of the United Kingdom, set up a committee to review the functioning of the financial institutions and I gave them the benefit of my opinion. That in turn got me a full Business Page feature in the May 1978 issue of Investors Chronicle.

I then founded Ideas Exchange Limited to act as a National information exchange between inventors and industry. To give you an idea of the climate I found myself in, I was interviewed by senior managers of my bank, whom I had approached for support. The interview was in a storage cupboard, a very visible and calculated insult. However, not to be discouraged, I set off for London and by walking through doors and asking, I got myself invited by E.F.L. Brech, (The world renowned author of The History of Management), and at that time Chairman of Intex Executives, to direct the creation of Ideas and Resource Exchange Limited, (IREX) which combined my ideas with that of a Resource Exchange, (created and widely featured by Michael Dixon with five half page write ups in the Financial Times).

Between us, Edward and I raised some capital from one of the leading firms of City accountants, founded an impressive board of directors, opened a London office and set into motion the creation of our new entity. While doing so, the IREX computer software system, which I designed and successfully implemented, was credited by the UK Department of Industry as being the most innovative information distribution system they had seen up to that time. Kenneth Baker, Minister of State for Information Technology opened the offices and we were blessed with substantial publicity in computer industry publications such as being Front Page Story for Informatics, as well as BBC Radio and national newspapers. During 1981-82 I then followed that up by organising and presenting a full IREX national industrial exhibition program during which I made useful contact with every major group in the UK involved with job creation. However, IREX was

classically under capitalised and to add to the problems, the Board decision had been made to PR launch the business using the last of our funds available and we picked the day Prince Charles announced his engagement to Diana. The next day the newspapers were running five or ten pages on Charles and Diana and we got nothing for the investment. In the end, while we had made good progress in spite of all that, we could not find enough paying customers for the service. Another business lesson; you cannot foresee every circumstance and, while it was a great idea, the fact is, you must have paying customers to survive or adequate funding. Back to square one again.

In passing, Edward Brech, at that time in his early seventies, went on to become the oldest recipient of a PHD at the grand age of 92 and lived to 94 years. He introduced me to a world I had never imagined such as dinner in the Reform Club in Pall Mall, Lunch at the Athenaeum Club surrounded by Bishops and tea with the Director General of the British Institute of Management, (liveried flunkies and all) with Edward kicking me under the table to curb my enthusiasm. Working with Edward Brech resulted in some of the most interesting conversations imaginable, and in the most remarkable locations; a wonderful and amazing experience.

As I was already involved, as a judge of school science competitions via the Southern Science and Technology Forum, (SSTF), based on Southampton university campus, and taking into account conversations with close associates, I had come to the conclusion that, while I was trying to set up new businesses, I could see that the greatest disadvantage was that many people simply do not understand business.

That from childhood there was no way of getting a better understanding of just how business worked via the education system. So I set into motion the creation of a debate surrounding my ideas for bringing business education into ordinary schools and called the whole idea “Venture Enterprise”.

My! Have you ever put your head into a hornets nest?

Now I learned just how much the whole idea of “business” was depreciated by the senior UK Civil Service education establishment. I think some might have willingly burnt me at the stake, given the slightest chance.

That exercise ended with myself and the Director of the SSTF attending a meeting with senior civil servants in the head office of the Manpower Services Commission in the North of England where the door to the room was propped open with a fire extinguisher, (because the fire alarms were not working???). Told we would have only a couple of minutes as they were “busy”, we kept them talking for some two hours only for the meeting to break up very quickly when my colleague got very angry and I pulled him out. Behind that door were three secretaries who had taken down every word spoken. They looked exhausted, poor things. Someone should look up the record of that meeting sometime; it will make for quite a story today.

This takes me on into the early 1980's. As I had a good working relationship with by then quite a few academics in the university, I concentrated upon taking that forward into two separate areas of interest; research & development and my sport, gliding, flying sailplanes. So in 1984, I founded UK Research & Development Limited which was set up to create a working interface between the ordinary academic and the need for outside companies to have research done. Ron Foyle became my Chairman and we took an office on the university campus. Almost immediately I discovered brass filings on my desk top and on the advice of the local police, fitted my own lock to the door prompting the university to terminate our lease and forcing me to relocate to my home, a house under renovation; not very auspicious, having your office on a building site. (In my spare time I was in the process of completely rebuilding a terraced house).

Notwithstanding, over the next few years I very successfully designed, manufactured and commissioned unusual laboratory equipment, particularly for the biotechnology industry and successfully managed external research and development projects for a number of leading international companies including Philips Car Stereo International, the UK Public Health Laboratory Service, Porton Products International plc, Johnson Matthey PLC, Hythe Chemicals (a division of B.P. British petroleum), EXXON Chemicals and Brookes and Gatehouse PLC. During this period I also became a founding member of another discussion group which we called the Catalyst Group.

Returning to my university contacts, between 1985 and 1986 I created a new group of students to copy the successful German university concept of an Akaflieg, where the students set out to actually design and build a real

aircraft as a part of their studies. Over the next two years, they produced a new design for a new British glider. But I could not find anyone who would finance any part of the exercise. Somewhere in my archives I have a letter from my then bank manager making fun of me and my “ideas”.

Early 1986 I laid down proposals titled: Producing Bubble Structures in Space. This in turn provided the springboard to, with the help of Dr. Alan Jefferson, at that time a senior lecturer in the Astronautics and Aeronautics department of the University of Southampton, produce an entry for the Eiffel Tower in Space Competition. We were awarded “Mention” Tour Eiffel de L’espace competition. Prize presented by M. Jacques Valade, Minister for Research and Development, Paris France, who publicly credited us both with having the same technological foresight as Gustav Eiffel a Century before. Our entry – “The Space Chronometer” was published in Leonardo Vol. 22 No 2 1989.⁷

But I digress; as this period covers 1984 -1988 and my main “in house” proposal where I founded and led the creation of proposals to sell technology and know-how in the use, forming and manufacture of new advanced materials. The proposed Advanced Engineering Materials Centre attracted a formidable team including Dr. Alan Jefferson, now Assistant Dean of Engineering (Academic), University of Southampton, Peter D.R. Rice, retired Director of the U.K. Polymer Engineering Directorate, Michael Gill, Gill Electronics Research & Development, Professor G.M. Lilley, Professor Emeritus (Aeronautics and Astronautics), University of Southampton and Jasper Warner Rothuizen, Rothuizen Consulting, Switzerland.

But, again, try as hard as we might, we could not find anyone to fund the establishment of the business. We even had the input of the Deputy Lord Lieutenant of Hampshire who brought in a very senior retired Navy Captain who in turn took the proposals to a friend of his in the “City” – which friend retorted as he immediately handed back the proposals unopened. “Research and Development old boy, bottomless pit, never touch it with a barge pole”.

Returning to the conventional track of seeking funding from a major company, I tried to get support from GEC, in the process getting a guided tour of their facilities from their Technical Director. Some time after that, GEC announced the establishment of, yes; you have guessed it – GEC Advanced Engineering Materials Centre Limited.

I opened a similar conversation with Johnson Matthey PLC through my membership of the Catalyst Group. That produced one of those never to be forgotten “cringe” moments as the meeting was going very well indeed until I stupidly put up a slide to show just how little money I had spent. (I am always proud that I am never a spendthrift), and had spent very little to get the entire project to that point. Their looks of embarrassment will live with me till the plank gets nailed down over my head. They never returned to the conversation.

Ironically, in 1990 I was granted the core patent that was the principle technology embedded in my ideas for an advanced engineering materials centre; a completely new type of hybrid fibre combining the properties of Carbon Fibre and Kevlar, 31 January 1990 GB 2 183 540. But again with no possibility of any funding to take it any further, I simply had no option but to walk away, again.

But I digress, as by the end of 1988, having expended all my spare funds on advanced materials I had to regroup and, as I had carried all the costs throughout, I re-mortgaged our home, paid off the creditors, and immediately after Christmas, January 1989 I filed five new ideas as patent applications and moved into the next phase, GPS navigation.

I took two of those applications and decided to run with one as the lead, a proposal for a combined printed map in a sealed consumable plastic cassette and a GPS navigation system, GPNS™, Global Portable Navigation System. The second patent application was placed on the back burner as no one I approached wanted to deal with a proposal for what is now, some 20 years later, the camera phone with GPS, but what I then described as the Photographic Security System. Video-911 as it is today.

I have to cut a very long story short. I tried everything I could, between 1989 and spring 1992 to raise \$30 million to develop both those ideas. In the process I presented papers to the 24th ISATA, Florence, Italy, (May 1991) and the following September, to the Fifteenth Biennial Guidance Test Symposium, Holloman AFB, New Mexico. My first marriage collapsed and Easter 1992 I was right back to square one.

The best offer I received was from a VC in San Francisco who would not let me speak, made me sit and listen to him and then, after a brief lecture, offered to buy the patents for \$200,000 while telling me that was the best offer I would ever receive.

My main efforts were aimed at getting support from a major manufacturer and I did receive a lot of support from Philips Car Stereo International, a division of the largest European electronics company. But Philips also had another division developing, within a European collaboration, a new in-car navigation system and they in turn refused to permit another form of in-car navigation system to compete with theirs. The lesson here being that at the large company level, competition is suppressed, not favoured.

Later, I tried to get support from a UK government inspired organisation who offered me a choice. They would take the IP, yes, I was invited to give it to them or, they might consider a joint collaboration if I could demonstrate a large company interest in a joint development. So I then succeeded in getting the GPNS concept all the way to a main board meeting with Sumitomo Electric Industries, but by then, the Japanese economy had suddenly collapsed and they could not commit the funding.

What was really interesting, the UK government inspired organisation, regardless that I had achieved so much, took no further interest in either myself or the GPNS system. In effect, if they could not take complete control, they were not interested.

It is important to realise that such attitudes continue to this day.

Being again, early 1992, back to square one with no funds, and with my High Street bank closing the company overdraft facility, (in just the same manner as we hear is occurring today with other small businesses), I sat down and wrote a 170 page report to the European Patent Office as “Evidence of Due Diligence in attempting to raise capital to pay the filing fees to the EPO”⁸. Needless to say I was forced to abandon the European patent application as I needed something like one sixth the price of a small house to pay all the fees and associated costs for an international patent application. And is why I only have three US patents and one Japanese patent. But that still makes me the originating inventor of a full system, (hand held device, transmission and base station), incorporating any portable transmission device that combines a electronic camera and a navigation system that transmits an image with navigation notation to a base station for display of both the image and the location on a map. My report led to a letter published in the Times London, 2nd June 1992, asking the question - Who leads the savings institutions towards longer term investment in the nation?

Invention is just as important to the long term success of a nation as any sport, so saying I was years too early is like saying that you are better off not passing the baton in an Olympic relay race.

You must also understand that by then the major impact of the first property crash was in full pelt and the local UK economy had all but come to a halt. U.K. Research & Development Ltd had no work, or any sign of such on the horizon. So, nearly destitute, I turned to working on a possible property development, a new deli restaurant under a railway archway in the city of Salisbury. Over the next three years I won several planning permissions, gained the support of the Railtrack national railway engineers, in the process winning a public enquiry, forced the Salisbury City Council to abandon their Commuted Car Parking Scheme, and won planning for offices and a restaurant and night club over the restaurant car park. However, I could not get the council to settle a boundary dispute with Railtrack and the restaurant had to be left on the back burner and instead I set out to build the car park, (what Americans call a parking lot), with my bare hands.

Soon after that I was also instrumental in forcing the City Council to abandon flood protection measures for the Waitrose Food Superstore development by bringing in a World class hydrologist to confirm my own findings about their viability.

I won against Sir William Halcro & partners, one of the largest consulting firms in the UK as well as the National Rivers Authority.

During 1994 I presented to the UK government, HM Treasury and The Bank of England, comprehensive evidence of the difficulties of raising capital for new start-up high technology firms. This in turn also led, at their request, to further detailed submissions to the Department of Inland Revenue on the subject of Venture Capital Trusts, direct correspondence with the then Governor of the Bank of England, Eddie George and, initiated by the Bank of England, face to face conversations with senior figures from the City of London banking community.

The latter were particularly interesting; they told me job creation was the government's responsibility. And, yes, one of them had been once involved with raising capital for a business, it had taken some years. And no, they were not interested in helping me with anything I was involved with. They saw it as - their business function was not down at

my level at all and matched other similar conversations where I would often be told that City banks are in the business of intergovernmental purchases of securities and the like.

And just to top off this period between 1994 and 1995, as chairman of The Coles Consortium, (the name was not my idea but an associates, a retired Jewish solicitor and one of my greatest friends, but sadly the now late; Ronald B. Margolin); I led a group of local businessmen, (the local Member of Parliament, Robert Key, sat in as an observer), towards implementing my proposals for the development of 19 acres of surplus railway land in Salisbury City Centre. I had proposed that the existing main line railway and railway station, (currently running over a largely derelict 15 foot high embankment and a series of old Victorian brick arch and wrought iron bridges), are lowered into a new “Cut & Cover” tunnel which would be constructed right across the city. The £100 million development titled “A Riverside Restoration” was a contender for one of the £50 million grants from the Millennium Commission, a National Lottery fund distributor.

There was great support from the Civil Engineering Department of Railtrack. However, the City of Salisbury District Council would not talk to us at all and the Millennium Commission ruled that the proposals were judged not sufficiently distinctive. Subsequently the Department of Transport made Salisbury the subject of a detailed study to view the possibility of combining all forms of transport in the City. In addition Robert Key, as the then Minister responsible, went on to propose a “Cut & Cover” tunnel for the A303 road tunnel beside Stonehenge, the World Heritage site just North of Salisbury. That story continues to this day.

But again, unfunded and near bankruptcy, I turned to working permanent nights in a local factory and between Christmas 1995 and 2001 I worked at least one 24 hour day each week and in my spare time, (I was working a 60 hr week minimum at night), quite apart from the planning success and building the car park, including the dual carriageway access, I also won a six year debate with the United States Patent Office for the telecommunication patents I now own. I also continued to maintain close contact with my long term mentor in GPS navigation, Col. Leonard R. Sugerman, a past President of the Institute of Navigation, who in turn in late 1997 got me face to face with the Assistant Secretary for Research Development and Acquisition for the US Army in the Pentagon. This was another seminal conversation.

He told me to my face that, yes, they were infringing my soon to be granted patents but that they would ignore me. It is important to relate that my US patent agent when told this exclaimed “they cannot do that”, but did not lift a finger to do anything about it. I have to assume because he knew that I had no funds available to pay him.

Remarried and back on my feet financially, in 2001 I gave up the night job and travelled to the United States and established GPNS Corporation with the aiming point of exploiting the US patent rights to create a Video-911 service that would provide increased levels of personal security for every US wireless phone user.

We ran into several problems. First of all the Federal Communications Commission, (FCC), having also met me in 1997, appeared not to want to talk to us again. We believe that we were, are, seen as a competitor to their E911 system where the wireless phone provides only location information. In addition, with my patent rights including the right to transmit and the FCC having sold the right to transmit for the 3G licenses for some \$16.9 billion, and more recent licenses being sold for some \$20 billion, the position was very well summarised by one of the FCC staff...”get yourself an expensive attorney.” So we could not even try and raise funding for our own national system that would inevitably compete with an already part established FCC sponsored system. Without the FCC, we were dead in the water.

Our second problem was that we launched GPNS on September 11th, 2001. What with the fallout from that event, the collapse of financial markets, Enron, etc. we could only debate the issues. Successfully I believe history will show, as I then set out to attend many telecom conferences all over the US as well as Europe and I am sure that I left my mark upon the ongoing debate about the future of telecoms in the US. But with no major telecoms carrier or existing wireless phone manufacturer prepared to come back to continue talking after a first meeting, I had no option but to again change direction.

Before I leave this period, I must also relate a conversation I had with a European Commissioner at a wireless conference in Lisbon, Portugal. He had made the keynote speech and afterwards, being me; I got on stage and got him into conversation. He was very clear about the situation of the individual inventor in Europe and confirmed that there are no funds available for the individual from the European Community.

Part of the problem is well known; that the farming fund had been subject to a lot of fraud and the consequences were that, by then, 2002, the EC were not inclined to even take applications from the individual. The ECC is very corporate minded today.

During the latter period I also applied for US citizenship but was declined.

While attending a wireless conference in San Francisco, I had been challenged, by a NIST scientist delegate, to write about some ideas I had on the subject of, of all things, gravity. No one would publish, so I set up my own publishing company and e-commerce web site and had published my book by early 2003. However, the first edition proved so controversial that no one would publicise it and with no sales and no income, another divorce and my car park/parking lot handed over as amicable settlement, I was once again back to square one financially and so, summer 2003, I again returned to the UK.

Another viewpoint about the difficulties for the individual inventor was obtained as I had quoted William Kingston's book INNOVATION, The Creative Impulse in Human Progress, in the first paragraph of my new book and then asked Bill if he would like me to re-publish his book. That in turn led to my publishing a new, improved edition that I typeset. So I have had a lot of interesting conversations with William Kingston who in turn is on various committees who look at the issue of the individual inventor. I quote from the dust jacket we produced for his new enlarged edition:

“His work on the financing of new businesses, published by the British Government Cabinet Office ‘think-tank’, led directly to the introduction within the UK of tax relief for equity investment – the Business Start-up and Business Expansion Schemes.

Kingston's conviction that intellectual property no longer serves the purposes for which it was originally set up is reflected in many publications arguing for its reform. His research revealed the extent to which owners of patents or copyrights are intimidated by firms which have large funds for litigation. It led him to propose that compulsory technical arbitration should be a pre-condition for any reference to the Courts.....

Inevitably, Kingston's concern with intellectual property spread to interest in property rights in general, and especially in those rights which lead to business becoming global in scope. An aspect of this is the growth of bureaucracies, both national and international, on which he has also written. In his view, this development reflects policies that are inimical to innovation."

In addition, my original proposals submitted to the UK government on the need to fund new business that had opened the door to the conversations with the Bank of England were put up on the internet as proposals for a Capital Spillway Trust which I set out in full detail in chapter 3, pages 35 to 57.

By 2005 I had both academic support for my new thinking about gravity in the form of a Professor of Physics as Principle Investigator, (PI), and some industrial sponsorship. But by then my old fallback working in a factory came to an end and I had to make a decision.

You have to understand that an unemployed inventor here in the UK, particularly one past middle age, has no employability standing whatever. Regardless of what I had achieved, as a private individual inventor, (while looking for work and at one and the same time trying to get back into business, moreover, in a world where the potential employer, quite rightly, demands that you are going to stay working, and not suddenly leave for some new project), my long years of adventure had made me unemployable.

Yes, I could find some menial work, working very long hours for a pittance but have no time for anything else. I took the decision to remain unemployed and instead to concentrate upon continuing to write about gravity. I do not regret that decision. As I was by then over 60 years old and the UK government in turn had created what they call Pension Credit, where unemployed men over 60 are passed into a system of early retirement. (In passing, hiding many hundreds of thousands of us from the unemployment register), I signed on while taking care to tell everyone, Pension Service, Hampshire County Council, etc what I was going to do and I settled for poor man's tenure and got on with addressing the challenge to create proposals to prove my new thinking.

So I sat down and over the next three years wrote some 27 individual papers and then, after some time reading in a university library, as well as setting up, but not having time to complete, the first experiment, I sat down early 2007 and brought everything together into what is now, 2009, a completely new book but based on the 2003 original.

Also, while all this was proceeding, I also continued to file a new patent for a new form of electric motor, an idea that has been on my “back burner” since the early 1990’s. But that exercise also brought me right back to where I was, financially, in 1992. Yes, you may file for a patent. But if you are unfunded, the costs very quickly become completely beyond the limit of anyone without access to the capital to pay. Even without a patent agent you will be faced with a call for international filing fees of tens of thousands of pounds.

It is quite impossible to take new thinking forward without access to the funds to pay the fees and if you are unfunded, you get summarily abandoned. An attempt to get WIPO, World Intellectual Property Organisation, to treat me as a criminal in a criminal court where the court would pay my fees produced an answer - that they would not communicate with me again under any circumstances. A very impolite – go sod off mate!

However, my entreaties to the UK patent office have created a situation where the International application is formally filed with WIPO and will be published, in so doing, creating a legal precedent for the future.

Be that as it may, I have a solid reputation of never giving up. We press on. Between 2003 and today, I have managed, against all odds, to hold all the pieces of these ongoing proposals for Video-911 together, remain unencumbered in the US and also continued to write.

As of today, I am about to launch a new edition of my book about the subject of gravity that we now believe will create considerable controversy and debate. My PI, Professor Donald L. Birx has written a Foreword. We are also going to establish a completely independent research institute dedicated to long term research into gravity and new forms of alternative energy that we believe can be funded by public donation and also, later still, a Visual Gravity Observatory which I hope will eventually become a public theme park.

Yes, at my age, I am about to set off on another adventure, but it does help that my family line is listed in Salt Lake City as a blood line that lives to a great age.

I do not apologise for taking so long about this description of my experience of the difficulties I have encountered when trying to start-up businesses from my grass roots perspective, particularly with a new high technology business. Yes, my primary experience has been here in the UK and yes, I am still, today, unfunded. No, I do not see myself as a failure. Rather, that by staying at this interface, I have learned a lot of very valuable lessons that can now be put to good use. Particularly as I also believe that there are many, many, thousands like me out there, at this same grass roots level, trying constantly to find ways to fund their ideas.

There is no mechanism to capitalise us if we lie below the normal investment horizons of the existing structures such as venture capital. As you can see, when I used the word “nowhere”, I support that contention with sound evidence. It is also pertinent to remember the Times also asks the same question some decades after I had started out on my own journey. Nothing has changed.

Yes, I wholeheartedly agree, I am no more compatible with today’s venture capitalist or private equity group than they are with me. And it is that fact that lies at the heart of what I am going to say as I move forward.

I sincerely believe that the existing mechanisms that purport to be able to fund the ongoing success for a capitalist society are at best, completely inadequate and at worst, are the underlying reason for the present banking collapse. We all have to face the fact that there is a desperate need to try another way forward. So, for what it is worth, I am going to set out what I feel should be changed, and how those changes must be implemented to bring the economy back around and headed towards a long term success.

Chapter 2

Job Creation, not credit; is the primary driver of prosperity

If you live as I do, here in the UK, you will have discovered that many around you consider job creation to be a form of antisocial behaviour; and that the job creator is doing something only marginally moral and probably illegal. Try, as I have recently, to describe how my own proposals for a new business might create a good gross profit and you will be asked, “But you cannot spend that much money” and told with a look that tries to make you feel uncomfortable at the same time.

What has happened is that the actual process of new job creation has become antisocial in a society that absolutely depends upon the creation of new jobs.

In a true free market, you simply have to make what you want to sell and go out and sell it. There is no law to prevent you from setting up your stall and trying to sell the product. Yes, there are rules for quality etc. But that is not relevant to this discussion.

Try producing some origami, paper cut into interesting shapes. No problem. OK, now take that same piece of paper and write upon the paper the words “XYZ Company Share Certificate” You have just broken the law.

You may write and typeset a book, print it, bind it and set out your stall to sell it, but you are not permitted to create the company structure to create jobs to allow others in your community to be employees, to enjoy jobs, created by the publication of the book; without your becoming enclosed into a very costly legal process involving company law.

Further, you also need the money to pay the wages of the employees, to pay for the jobs. How much money do you have in your pockets? OK, now empty your pockets, completely. Yes, I want you all to do something

for me; I want you to spend a day of your lives trying to do without money. No money to post a letter, even buy the envelope, let alone the stamp. No, you cannot pick up the telephone, no money for that either. No, no car, no petrol. No, no computer, email, and you cannot pay for someone to act as a secretary for example.

No money..... By now, you are getting the idea. But I need you to actually experience the reality of such a situation. Please, try it and you will understand the utter frustration of being completely unfunded.

I was reminded of this when I remembered a conversation with Kenneth Dibben, who at the time, mid 1970's, had recently retired from being a director of Hambros Bank in the City of London. "Chris, he said, I never knew how much I took all the facilities available to me for granted. Now I am out on my own, I have to provide everything, secretary, typing.... I never knew what it is like to not have these things to hand." He had arrived into the world of the unfunded job creator.

Let us start with a blank sheet of paper and try and get a handle on how much money we need to create a few jobs. Walk through the door into an empty office and you will already have spent three months rent up front as a deposit with the first months rent up front as you are a new start up with no credit record. First month, travel, fuel & oil, Motor insurance, printing, postage and stationary, computer software & support, telephone, internet charges, subscriptions, advertising, marketing, entertaining, sundry expenses, rent and rates, (rates often as much as the rent), light & heat, premises insurance, buildings repairs and renewals, (The last occupier has left the place in a mess and the owner has pocketed the reparations from the last tenant), other insurance, legal and professional fees, audit and accountancy charges, bank charges, bank loan interest, bank overdraft charges, plant and machinery purchase costs, office equipment purchase costs, depreciation.

What do they come to? Let us assume, say, 12 -15K will be enough for a small one person office with very little else, desk chair computer and software. If you were considering any form of manufacturing, requiring equipment, materials etc. - the cost goes through the roof.

All these payments **pay for the jobs of all the employees for all your suppliers** plus, if you want to take an income from day one add that too.

Historically, it was always assumed you could not expect to get into profit for at least three years. Indeed, in countries like Japan, you are not expected to be into full profit for at least a decade.

So to create a long term job requires that you pay the costs of all your suppliers' employees, plus all your own employees - for between three years and up to a decade.

So job creation is not about profit, but the expectation of being able to create a profit in the future while you pay all these costs until either you succeed, or, if not successful, you cease to trade and thus try and start again.

Job creation is a very expensive process and you will see very little of the money yourself. But that fact disguises another misunderstanding; that somehow, all the money you ask for is going into your own pockets. Very few understand the true cost of job creation and assume you are pocketing the cash yourself. Remember those wonderful words so often spoken by a civil servant when you ask for help in creating new jobs; "But we have to be careful as this is public money".

What has been completely forgotten is that the process of new job creation is by far the most effective way to increase prosperity. Instead of prosperity coming from banks granting credit into the hands of the people - spending their credit at the local monopoly store; all the money pays for the long term employment costs of everyone needed to supply every service the local community can provide, while the new business finds its feet.

When the Joint Stock Company was first created, the overall costs of job creation were always covered by what we call equity capital. The basic idea was that until you have reached the point where you can make a constant, regular profit, you need to keep your overall costs to the minimum. The longer the period between start up and stability, the more you need to keep the costs under control. So every aspect of the process was geared to keeping the costs down, (and that in turn explains why, in the past, investing institutions always kept premises rents low).

Equity capital is free money, put up front into the new job creation vehicle with only the expectation of an income when the new business, given the time needed to allow it to succeed; became profitable.

So, in that case, the equity capital pays for the entire employment costs of the surrounding community for between several years and a decade.

Multiply that by many new businesses, all trying to create new jobs, all employing new people out of those surrounding communities. And with the only cost not directly associated with that process being the wages you, the new job creator, take to cover your own personal living costs; perhaps no different than any other employee in the surrounding community.

Tell me where you have seen job creation described like that? I will bet my bottom dollar that you haven't! No one seems to have given a proper thought to the process of real, honest, new job creation. Instead, society assumes the job creator is either going to make themselves a millionaire in very short order, or, they are about to steal your money for their pet project; that the money will be "lost" or "stolen", in some way, wasted. In both cases, nothing could be further from the truth and in the process we seem to have conveniently forgotten that:

- The money sitting in the savers bank account waiting for investment cannot create new jobs.
- The idea on the sheet of paper cannot create new jobs.
- The unemployed, potential new employee cannot create new jobs either; whether on their bike or otherwise.
- No one other than that individual stepping forward to create the job can do it.

Now we need to recognise some simple facts.

The primary impediment to new job creation is that the existing FIRE economy, probably very sincerely, believes that it is nigh on impossible to create new jobs. That what jobs we have are all that we can sustain and that the only way forward is to keep the imports flowing by keeping the retail sales as high as possible. Ergo, do everything they can to renew the flow of credit. Bank bailouts are seen as the only way out of this mess. I believe that is the wrong way to look at the overall problem. It is my certain belief that there are hundreds of thousands of individuals out there that hanker to create jobs but have never been able to find a suitable source of funding, the equity capital needed to be able to do so. Now you can see why I started this thread with my own experience. Below a certain level, the capital to use to create new jobs simply does not exist.

The Times article was correct to ask: Where?

FIRE economy Venture Capital will have, (with the greatest of respects, you have all failed to see that existing Venture capital is an integral part of the FIRE economy), again, with the greatest of respects; sneered at them; Too small, too off the wall, too bright, (i.e. too intellectual and thus wanting to do longer term research and development), not a fast enough route to profit sufficient to attract another, larger company, to purchase the equity for ongoing M&A; will be by far the most obvious reason.

Job creators have been made out to be untrustworthy and thus not worth consideration to hold onto the funds needed to create jobs. We see that in particular by the grand new rules that have sprung up over the last five or six decades to "protect" your savings from..... Fear of loss!

In the process creating a new upper class of individual to rule the roost in finance. We might describe these rules as the FIRE economy rules.

The simple fact is we live in a capitalist society that no longer invests capital. No longer accepts failure or the absolute necessity and responsibility to create a successful nation, at all levels of the nation.

So I want to start by making a few simple suggestions:

1. A functioning nation must have jobs. Gainful, productive employment. Not funded by tax income, but instead creating new tax income, new savings, new increasing personal income; as the primary mechanism to create a free, successful, prosperous society.
2. The greater the number of your nation in honest gainful employment, the more prosperous you are. The better the tax income. The easier it is for everyone to pay their way.
3. Gainful, productive employment is absolutely vital. Nothing can replace it.
4. Unemployed and under employed, (earning insufficient to pay their way in the wider society), cost the nation a large proportion of the tax income of the nation, either from direct tax payment to them as subsistence, or from a failure to earn enough to pay income tax. It is simply not cost effective to leave these people with insufficient income.

5. Spending tax income to create jobs does not fulfil the need for a stable nation; it only creates administrative jobs that are always a part of the overall trading overhead of the nation. As with any normal business, a nation needs to keep its overhead costs to a minimum.
6. Government administrations always set out to create further, often very expensive false jobs, to bolster the size of their departments. Indeed, the more false jobs, the closer you are to a form of pure socialist or communist society where government employs everyone.
7. The more tax income you spend on false jobs, the less you have available to pay for the base, essential services, supporting the productive society. The higher the overhead of the (external to government), trading nation.
8. Banks do not themselves create new productive jobs other than those they need to fulfil their own needs within their own administration.
9. Bank lending, historically, had always been to provide a "working capital" function, paying for the short term transition between production and sale. Bank lending is a mercantile function.
10. So a productive business uses its equity capital base to create the full working mechanism to create a product and the banks function was always to provide the short term credit needed to pay for materials passing through that working mechanism.
11. You therefore have two funding requirements for a successful society. The primary requirement being a supply of equity capital to create the long term business and a second, mercantile banking system; to provide that working capital.
12. I am arguing that we only have one part of the funding requirements in place, short term banking and the primary job creation funding, equity capital, is almost non-existent.

Once you recognise the above as true, then the next thing is to recognise that it takes a long time to create any new job. You do not create new productive jobs overnight. It can and often does take decades.

- When you make a start from as serious a situation as we face today, someone has to pay all the long term job creation costs for all that time to create a new, stable, local economy.
- By far the majority of job creators will fail, at least once, while trying to create a stable business to provide stable employment in their local community.
- Failure is a quite normal function of honest job creation.
- By far the vast majority within any nation do not have sufficient income to pay for more than their own personal family costs; home, children, education....even if they have a good job.
- It is a generally accepted condition that we expect that a job creator must be bankrupted if they fail.
- You therefore place the greatest disincentive on the job creator.
- No one, not in employment, can possibly pay those long term job creation costs.
- You therefore must have an acceptable mechanism to fund the equity capital you will need to pay for job creation.

But job creation is seen as... Would you trust...Whomever?.... with YOUR money to try and create jobs? Particularly if there is a very good chance they will fail.....

Now you are beginning to get the real picture.

The most important function of any modern capitalist nation is the creation of new employment. Without that employment, the overall nation cannot function, yet:

You do not have **any** functioning mechanism to create enough jobs.

To say there is a need for a change in direction with attitudes to job creation, is perhaps the understatement of a lifetime. We need to do these things first.

- Recognise that anyone trying to create new jobs is NOT some form of criminal who must be controlled and suppressed. But instead, set out a MAJOR public campaign to get as many as possible, who would wish to create new jobs; to step forward to try.
- Immediately set out to create completely new savings institutions charged with the primary function of making equity capital available, (not any form of lending), to pay for the long term job creation costs.
- Encourage everybody to place their savings into these new savings institutions and arrange to pay them an acceptable fixed income on their savings until the long term profits start to flow from the new investments.
- Agree a set of rules for the equity investment into job creation.

In short; a new Marshall Plan.

Yes, it has been done before and very successfully too.

If we look at the creation of those jobs, we will see that if the job creator is only permitted to pay themselves the same as if they were in a similar job working for someone else: **The job creator costs us nothing more than their moderate starting salary!**

All the additional business costs; product manufacturing, product storage, distribution, salaries, pensions, employees National Insurance, Employers NI contributions, travel and subsistence, vehicle costs, fuel, oil, motor insurance, printing, postage, stationary, computer, software, service, telephone, internet charges, subscriptions, advertising, marketing, entertaining, allowable sundries,, rent, rates, light, heating, premises insurance, building repairs and renewals, other insurance, legal and professional fees, audit and other accountancy fees, bank charges, bank overdraft interest, depreciation, buildings, plant and machinery, office equipment.....

All these costs are perfectly legitimate and have to be paid.

But, in paying them we very effectively employ the surrounding local community in worthwhile, honest employment, supplying all those peripheral needs for the job creation process.

But look. If the idea is to create a stable, profit motivated business climate, then there is every incentive for the new job creator to keep those costs to a minimum. The faster they reach a steady, long term profit, the faster they can cash in themselves, but essentially not before they are profitable.

If we have set out to encourage the job creator, we can make it a very good thing to create new jobs. We make a big thing of rewarding successful soldiers, or sporting heroes and suchlike. We can very easily do the same thing for job creators too. Further, if there is sufficient equity capital available to pay those costs, the whole process brings local prosperity from day one with no short term cost to anyone.

Everybody in gainful employment - paying their own way from day one.

From day one!

Aiming points:

1. An immediate conference to bring together everyone with NEW thinking. Yes, that too must be paid for. No capital available, nothing gets done. A VERY valuable lesson right from the outset.
2. At that conference, the primary aiming point being to agree, yes, agree, not promise to walk away and talk about it for another half decade, agree on a base capital value for a job. I have already set out my own thinking and suggest a figure in the region of £25,000 or equivalent.
3. Set aiming points for the number of jobs we need. One of the primary difficulties has been a lack of aiming points. If you do not set targets, how do you achieve? How many jobs are needed to maintain a long term stable community?

4. Set out to create all those targeted new jobs and make that capital available. And yes, you are correct; they will compete with existing companies.
5. All competition is good in a free enterprise society.
6. People that believe it can be done are the only people that will make it happen. We need to bring them together.

I have already set out a simple set of rules for such an operation. It can easily be run on a perfectly normal free enterprise basis. I believe this will become a modern example of the Loaves and Fishes from the Bible. No one will believe it possible until they all set out to try.

I believe that there are many individuals with ideas for the creation of jobs. They must be encouraged, not derided as now. Any simple job can be easily created if the normal overhead cost of the job creation is made available as equity capital. There is no loss of any capital if everything spent is a normal business cost into the local or national community.

All the capital gets widely distributed throughout the nation, community by community, but from the bottom up, not trickle down.

If every new employee and every existing employee is encouraged to save sufficient of their incomes so that long term aiming points for available equity capital are always maintained, the whole system will become very stable indeed.

All you need to do is change the way you treat the job creator. They are honest. They spend the capital wisely to create new employment. That new employment is spread widely throughout the nation. They cost you:

NOTHING MORE THAN THEIR SALARY.

All you need is to believe they can deliver instead of treating them as potential failures.

CHANGE is simply a challenge for those that believe in it. I believe that many will step forward to accept that challenge and prove me correct and for goodness sake, what have we all got to lose?

Chapter 3

Basic Rules for a Capital Spillway Trust

3.1 Summery

There is a general recognition that, at the grass roots level, it is now impossible to raise small sums of equity capital for any form of new business start up; that existing savings mechanisms now very effectively prevent such equity capital investment in the local community. For the individual inventor setting out to create a new competitive industry through the grant of a patent, the lack of available equity capital to underpin the commitment needed for the long term prevents the ongoing development of the product and associated competitive business. This not only applies to the inventor, it can be seen to apply to a wide range of new business start ups. I believe that this stems from the fact that there is no free, open to all, marketplace for such equity capital. I highlight the difficulties and propose a working solution as a demonstration of the potential using royalty income,⁹ (generated from telecom patents I own), which will be invested in a new Capital Spillway Trust.

There are very specific reasons why this situation has come to pass and, using my own experience to back up my thinking, I have set out to create a solution that I believe will create a lot of new jobs and I expect that others will follow my example.

The starting point is to recognise that a large proportion of new, privately owned start-ups, new/high technology firms and small businesses will fail during the first few years of their lives.

Fear of such failure now taints, from the outset, the relationship between potential providers of capital and job creators. Yet every society must continue to create jobs and no society can step back from that responsibility.

Further, It cannot be acceptable policy to leave what is arguably the most important function underpinning a free society, the creation of long term stable employment, that satisfies the needs of everyone in that society; to some sort of random unstructured process - where we are today.

Fundamental to this debate is a solution acceptable to all parties that delivers equity capital at the grass roots level. I address the process of failure and provide a comparison which highlights the potential for a simple remedy; a new design criterion - adequate equity capital investment to ensure stability during the start-up phase.

The overall aiming point is to:

- Dramatically increase the invested equity capital base of the small business sector by the operation of a simple rule structure.
- To create a large flow of investment without the need to create any new government departments or other large bureaucratic organisation.
- To contain the overheads of the new Capital Spillway Trusts to a minimum.

A fully competitive, free enterprise, open to all marketplace, designed to supply equity capital to a much wider range of new, privately owned start-ups, new/high technology firms and small businesses on terms acceptable to financial institutions.

3.2 Introduction

I believe that there are fundamental flaws in the basic criteria used in formulating policy for the optimum development of new privately owned start-ups, new/high technology firms and small businesses.

The three main flaws are:

1. That there is much too much emphasis placed upon trying to weed out potential failures rather than concentrating upon why such new firms fail. That not enough recognition is given to the fact that one of the principal reasons for failure during the early stages is due to a lack of sufficient equity capital invested from the outset.

2. Savings institutions are very effectively prevented from investing at the grass root level in society by a complex rules structure and, there is insufficient private capital available to invest and that this shortfall is very substantial indeed.
3. Government grants do not, indeed cannot, address this shortfall and furthermore waste precious time and resources by introducing totally unnecessary bureaucracy into what is a fast moving intellectual exercise that demands speed of decision and total freedom.

I will set out how these flaws might be easily overcome by the operation of some simple rules of engagement when setting up such new firms.

It is also my view that there is a sound argument to support the need to short circuit what might be a long drawn out debate by setting up a demonstration. These proposals will set the basic ground rules for a completely new form of financial institution I describe as a Capital Spillway Trust which will demonstrate the concept.

In the UK we use a Pay As You Earn (PAYE) tax system and I am going to assume you have a similar tax registration system for all your employees regardless of which nation you are in when you read this. I therefore propose that the need for new PAYE tax income from new investment is linked to the creation of a free marketplace for equity capital for new start up businesses.

4. That a criteria median of £25,000 equity investment per job created is directly linked to the creation of the PAYE record for that job which is created when the investment takes place.
5. That free marketplaces are also established to supply matching 25 year loan stock to underpin the working capital requirements of the developing businesses.
6. That such investment is made under new, less complex rules, which take full account of the needs of a wider group than is at present addressed by existing mechanisms.
7. That the full potential depth of society is brought back into the process of lawful job creation;

8. That lawful job creation in the local community will be the pinnacle to aim for by any law abiding individual, who will dedicate their lives to bringing true free enterprise into every social group and thus will be looked up to by everyone.

3.3 Designed - not to fail? - A comparison of design criteria

Aircraft are designed not to fail; that the basic structure will not break when the aircraft encounters a wide range of turbulent gusts. Moreover, these design criteria are the consequence of decades of experience. The result is that even though aircraft crash from time to time, it is very seldom indeed that they crash from the failure of the basic structure. All aircraft are built to the same criteria thus, whether we fly in a light aircraft or a jumbo jet, the pilot can be sure that the aircraft will respond in the same way. Imagine the chaos if only the jumbo jet was so designed. We would be taking life threatening risks if we flew in anything other than a jumbo jet. The smaller aircraft might be constructed to any criteria.

Imagine that these small aircraft were breaking their wings on a regular basis. This is exactly the situation the creator of the smaller business faces today, and, as such, this is a very worthwhile comparison.

Experience shows that it is common for a pilot to stress an aircraft to several times the force of gravity and sometimes, to more than five times the force of gravity. Experience has also shown that making the aircraft stronger still, becomes uneconomic, thus custom and practise has evolved to balance the twin needs of strength and economy. I believe we should apply the same thinking to the creation of new small firms. When we do, we will find that what is lacking will be seen to be sufficient equity capital to ensure stability during the early stage development of the business. In trying to weed out what might appear to be potentially weaker firms from the outset prior to start-up, we fail to face the true fact: that the majority are unable to withstand what would be seen, in aircraft design terms, as commonly encountered "gusts".

At the vetting stage, rather than weeding out, it is my view that we must instead concentrate our efforts upon strengthening the start-up to ensure that it can withstand what are in fact normal "gust" conditions. Thus the question becomes: how much extra capital is needed to fulfil the design criteria of stability during start-up? I believe that the effective route towards the answer is to set up a test of these proposals.

"Surely it is inefficient to allow a less than fully successful firm to continue? That the capital should be redistributed to more successful firms"?

That the less successful be left to fail?

My answer is another question: Exactly what are we trying to achieve, as a society, when we fund the creation of new small firms?

If the answer is to solely maximise the profit from the investment of the capital, then the banker's view would be wholly correct.

However, I believe that there is a hidden element that is not being recognised and that the real aiming point should be stable long term job creation.

What is wrong is that the development of custom and practise in the creation of new firms has failed to recognise that there is depth in a society for which the present processes do not take account.

By depth, I mean that there are others who operate within a free enterprise society, but at varying levels of profitability.

That success varies.

Thus we can have a successful firm, from society's viewpoint, which lies at the border of subsistence survival, yet maintains stable employment and tax revenue at a local level.

That successful job creation, from society's viewpoint, can be just as successful within the structure of a subsistence business as from a highly profitable one.

We should recognise that, even if a business makes little profit, yet remains stable and viable for the long term; the jobs created have exactly the same human value, pay the same wages, taxes and provide the same human opportunities for individuals to live full lives and to prosper.

We should view the process of the creation of new firms from the viewpoint of accepting that many new firms can be allowed, in time, to settle to their natural level of existence, and, that we should adjust our thinking to allow as many as possible to do so.

If we do change our viewpoint, I believe we will find that we can quickly address the other problems related to a poor sub structure or underclass which has become endemic in Western society. That the "underclass" has evolved precisely because today, capital is only available to the most successful.

I quote: "However... This type of investment is only suitable for companies that are able and willing to grow and generate a sustainable flow of profits" "The Fund's money is limited so it has to be very selective in making investments."

Most of the current social difficulties around us today come about precisely because we do not accept the capitalisation of any other than those of the highest order. We do not have a workable and effective mechanism, a set of rules, to adequately capitalise all the other proposals coming from the other layers of society.

We expect that a financial institution can only re-invest savings where the payback comes from dividends paid by public companies. I instead propose that, if you create stable long term jobs within a carefully structured set of rules for long term investment at grass root level, institutions can receive adequate income from the investments plus replacement savings made by these new long term employees.

Turning to the problems that are endemic in poorer countries where subsistence is the norm, we must also recognise that lending vast sums of money or giving grants to such governments has not succeeded in raising employment levels or productivity, but instead has served to line the pockets of a few. Thus there is a need for such an agreed structure for access to capital here too that will bring free enterprise job creation, not just to the western world, but throughout the world.

I thus also dare to suggest that engaging these poorer societies into a process requiring honest job creation along these lines has the potential to transform the lives of many.

That, in time, we may also be able to significantly reduce the substantial loss of institutional as well as public money from such international dealings while bringing long term benefit to everyone involved; That there are benefits to all sides in addressing these problems.

3.4 The proposed solution

The Government needs new tax income from new investment. The savings institutions need a higher level of savings.

Why not link the two?

I propose that the need for new tax income and, personal pension savings from new equity investment in small business investment is linked.

- That a criteria median of equity investment per job created, (my new criteria for stability), is directly linked to the PAYE record which is also created when the investment takes place and that additionally, the new employee has to take out a personal pension and thus to immediately start to save.
- Set a parameter of twenty five thousand pounds equity invested per job created.
- You also set as a parameter one PAYE record per employee that such investment would create. One hundred thousand pounds invested creates four PAYE records.
- Each new employee immediately makes a commitment to save a proportion of their income. The resulting employee pension scheme must be absolutely untouchable.
- This will be a free market place, open to all individuals seeking to create new businesses. Business plans must be deemed reasonable by acceptable scrutineers.
- All equity investments being set against the deposit of new PAYE records and the new businesses must set out to create jobs to gain access to this new capital market.
- The new capital market will be the conduit of equity from the savings institutions, via as many new outlets as possible on to the business venturer to capitalize new ventures, - either as start-ups or new ventures from existing companies.

- The new local Capital Spillway Trust to own no more than twenty percent of each and every new local business, but on a long term basis. Stability is the watchword.
- Thus a proportion of the savings income of each and every savings institution will be invested in equity in the local communities; that provided that equity capital through the savings of local residents. What comes around will go around.
- You need to recognise that I am seeking to create a true free market in capital for new investment in job creation. Free enterprise based, creating long term stable jobs.
- Total free market competition where the manager of the business owns the business.
- Where anyone with get up and go can set out to prosper through founding a small local business to employ their local community; where honest enterprise will win out.

3.5 The basic rules become

1. All Capital Spillway Trust lending to new business start-ups must be against an equity stake of a long term maximum of twenty percent; thus protecting the founders' independence. I believe that this is crucial; the founder must be in control from the outset. This new business founder will be set as an example of the value of hard work, enterprise and the responsibility of creating new jobs in their communities. That the local communities prosper through the efforts of these people.
2. The available equity must be sufficient to cover the first stage start up to a median of say, three hundred thousand pounds. Businesses showing greater potential will have to be able to justify further investment after an agreed period of stability. Only sound, successful businesses, will progress beyond stage one.
3. The new business founder must have a first option to purchase back the equity, say after five years, at full market value - say ten times earnings plus all the initial investment. Detailed formula to be agreed involving a strictly applied upper limit to the business owners income

before profit. If the founder wants to live the high life, they must either have a very profitable business paying a good dividend back to the Capital Spillway Trust or, they have to buy out the trust before they can raise their income. This initial income should be a moderate income sufficient to live decently by.

4. The new business founder should be encouraged to always leave a small proportion of his equity with the trust on a permanent basis. A long term relationship, built up over many years with trust on both sides is an absolutely essential aiming point.
5. The funding for such equity will be made available to the Capital Spillway Trusts via the new capital marketplace which will release the funds against actual evidence of new PAYE records. For convenience, let us call this new marketplace the Capital Spillway Equity Marketplace. (CSEM).
6. To cover the period between investment and creation of jobs, the local Tax office to issue interim PAYE certificates, (a new business owner must already register with the local office), which can only be exchanged for full certificates with full PAYE reference numbers when PAYE is flowing into the Exchequer. Local capital spillway trust operations to be governed by the principal of more PAYE certificates, more capital available. No PAYE certificates; No new capital. If a local trust is not creating jobs, then their supply of capital for new investment will dry up.
7. No restriction on type of business as long as it is legal and will create jobs. The diversity principal must apply. No restriction on the person. Local knowledge of honesty and integrity should be all that is needed. If the business plan stands agreed scrutiny, competition must be allowed. Failures to work for nominal wage in other local start ups, say for a minimum of a year, full training before new try.
8. ANY individual recipient judged to be involved in any form of criminal activity or blatantly breaking these rules will thereafter be completely and permanently excluded from access to capital. No second chance.

9. No restriction on volumes of investment. The successful trust manager must be allowed to prosper. There is no value to be gained by any form of artificial restriction. If the entire system is creating income, then everyone is prospering.
10. The CSEM funding coming from a call on saving institution income, with the funding being amortised via pension contributions from all new employees and dividends from the equity. Thus this marketplace must succeed or the supply of funds will dry up. Thus success for all involved is an absolute.
11. Capital Spillway Trusts may be formed by any credible interested parties either as a local trust or as an industry specific trust remembering that a true free market comprises a substantial multiple number of outlets. Thus anyone wishing to compete by forming a new trust which will invest into companies which will COMPETE with existing investments of other trusts - MUST BE WELCOMED.
12. The only criteria for "credible" can only be "law abiding". We must get away from this crazy idea that ordinary honest investment is some sort of illegal action which must be overseen by some sort of "super" person with extraordinary credentials. (Who do not exist anyway).
13. The managers, (not necessarily the owners), of Capital Spillway trusts must be imbued with the same independence as a Judge. They must be imbued with the concept that they cannot discriminate on any ground of competition. The freedom, nay, DUTY TO COMPETE must be enshrined in these rules. It must be seen as the duty of Capital Spillway Trust managers to invest regardless of competition.
14. No Capital gains tax on the sale by the Capital Spillway Trust of the initial stake back to the new business owner? Perhaps half the gain to be refunded to the institutions and thus to their investors? The balance to be used to reinvest again? Both the Capital Spillway Trusts and the financial institutions must prosper from this.
15. The Government should look towards the creation of an open marketplace for 25 year loan stock at a maximum retail cost of say 4%. Such loans should be in tranches of say, £50K to set against the equity invested by the trusts.

Raising funds from the new loan stock marketplace should not be predicated by the ability to pay the full price of the capital, i.e., not predicated to security against existing fixed assets but of the long term projected ability to pay dividends and should be directly related to the capital invested as equity by the Capital Spillway Trust.

Thus, any artificially inflated value of the equity is not a basis for amount of loan. This limits the amount of working capital a founder will be able to raise from this loan stock marketplace. The aim will be to create stable, equity based investments.

As can be seen, in my opinion, the best solution will be to create a new capital marketplace which will be charged with diverting sufficient capital, from the Nations savings institutions, through the new Capital Spillway trusts into job creation to ensure that a stable small business sector is created and nurtured for the future.

The investment involved will at all times be relative to the jobs created. Thus this will create an investment flow rate which is naturally regulated by the availability of potential employees. Fixed asset based investment will not be funded.

The Capital Spillway Trusts will be holding a 20% stake in a sizable chunk of their local small business community and I believe can be very profitable in their own right.

As each and every new business set up under these rules will be adequately capitalised, there will no longer be any reason to expect that instability from equity shortfall will be a factor in the future economy.

A stable business environment.

The local individual, saving for the future, will thereafter see that his savings are integral to the success of the local economy. They will have a vested interest in that local success with a clear link between their work ethic and the use of their savings.

The savings institutions will at long last have a role to play in the success of the local as well as the national economy and a true free market will be created which nevertheless fulfils the current requirements of investor protection.

With regard to the existing unit trust and other similar markets; these invest in the resulting safe and stable equity of "mature" companies. Some also act as an alternative source, (from the full listing of the Stock exchange) of supply of capital for such companies. Such markets can look towards a much wider marketplace from the many new and vigorous businesses which will come forward.

In addition, as there will be many more of the population in worthwhile employment, the overall economy will be much more vigorous, and thus their opportunity to prosper will be greater.

Finally, as you will have observed, I do not see the need for any form of up front tax incentive and neither do I see any need for any form of bureaucracy. Far from it, the only incentive needed will be the opportunity to get on and create true free enterprise jobs in a much more stable small business environment.

The overall aiming point is to:

- Dramatically increase the invested equity capital base of the small business sector by the operation of a simple rule structure.
- Create a large flow of investment without the need for any new government departments or other large bureaucratic organisation.
- Contain the overheads of the new capital spillway trusts to a minimum by making the entire system completely based upon free enterprise principles.

3.6 Some particular aspects

1. Instead of a short term partnership, the new trust must be set up with the intention of permanent establishment. That these trusts must become an integral part of the local business community. Honest, trustworthy, the highest ethical standards.
2. That every aspect of the design of the support systems is designed for the creation of long term trading stability. No short term, fly by night schemes.

3. That those looking for funds can assume that the trust has every intention, within clear limits, of seeing the firm survive, even if only at a subsistence level.
4. Any business owner with a firm leaning towards the subsistence level of profit will be encouraged to buy out the trusts equity share and full initial stake on agreed terms to allow the invested capital to be reused in another venture.

Thus I intend to create a structure that gives public approbation to the initially poor individual who, while having failed to create the most profitable business, nevertheless manages to "buy out" the trust and thus has achieved the ability to stand on their own feet in that situation. This will be achieved by very strictly applying the criteria related to proprietors' earnings before profit calculation.

Thus it can be assumed that the profit / proprietors earnings criteria will be such that below a certain level of profitability, it will be only possible to increase the proprietors earnings, (which will be set at a low, but reasonable level), via a buy-out of the trust's equity stake and full initial investment.

The rules must be sufficiently strict to prevent anyone breaking them from further involvement in any form of job creation within the structure of this system. By this mechanism, we can start to see the removal from the investment mechanism of all individuals who are intent upon acting outside of the law.

Perhaps the accounts for such new ventures to be always on the day to day computer systems of each Capital Spillway Trust so that unusual cash movements can be monitored and prevented?

By that I mean that I intend to see that the lawful job creation mechanism crowds out the unlawful. I believe that this will go a long way towards dampening down lawlessness, particularly in the inner cities. I believe that there is an argument that says: If there is easier access to capital at the lower levels of society, but only for the honest citizen, then more individuals within society will be attracted towards honest legal job creation and away from illegal activities, such as drug trafficking, to raise capital.

It is for this reason that I have elected to propose a basic, simple to operate rule structure which will allow as many as possible to fit the criteria and thus to allow as much depth as possible.

Once this marketplace is up and running it should become a perpetual fund as it will be constantly topped up by the return of the original equity plus the buy out premium.

I believe that I have proposed a viable solution to the obvious need to rapidly increase the capital base of the nation, any nation - by simply harnessing the principles of free enterprise.

That the industrious in society can prosper from.

3.7 Capitalising inventions

Up till now I have been describing the needs of what are essentially trading businesses that need an adequate capital base upon which to base their perceived new trade. But that trade always assumes that a product or service is readily available from the outset and that product costs and available supply are built into the initial projections.

I now turn to the particular difficulties presented to the individual inventor when they set out to create new jobs through the application of new thinking embedded in a patent application for a completely new product or process.

But when we turn to inventions of what are completely new products, then we must allow for the time it takes for the full process of development of the initial ideas, registration and procurement of patent protection, manufacture of initial prototype, design and manufacture of working first stage marketable models, professional evaluation of marketability, re-evaluation of design, world patent applications and subsequent office actions to secure the same, organising and evaluating a basic sales structure, final design for perceived market and ramping up production for the first sales, setting up and paying for the necessary advertising and marketing campaign and finally assembling the team of people that will serve to take up this challenge of a completely new product and taking it to market.

This process takes many years and much investment to complete. For a full free enterprise marketplace to exist, this process must be completed outside of existing industry so that a fully competitive national industrial base is achieved and maintained.

To do that you must have completely new businesses coming forward on a regular basis to compete with the existing suppliers to a market, any market. You must replace old businesses with new businesses and old technology with new technology. Defunct products beyond their initial lifespan must be replaced with the best you can turn out.

You must have full and completely free competition.

As things stand, the lone inventor is expected to either fund these costs themselves, which is effectively impossible or, to raise funds from a venture capital group that will marginalise them to gain complete control of the start up with the aim to sell on the resulting business to the largest business in that industry within three to five years or, again, the inventor will have to turn to an existing business to fund it. Thus from the outset, the inventor cannot build up a completely new competitive business.

This is an important aspect as you therefore do not have a full and free marketplace and thus always, without change, existing customers, including governments, will never be able to see fully competitive supply to a free market.

I give as a good example, a single very large UK PLC is generally agreed to have a strangle hold on defence procurement in the UK to the detriment of the government, let alone to the loss of new ideas coming into this marketplace through the dampening effect of this uncompetitive marketplace. You must have several suppliers to any market to ensure competition. Single massive groups suppress competition.

Finally, if the reader thinks this is irrelevant, not of consequence, that we do not have to go down this road, then I suggest that they read the following taken from the Japan Patent Office web site.

I have highlighted the most important parts. Note that the entire web site is in English as well as Japanese.

3.8 Invention Day, by Yasuo IMAI Commissioner, Japan Patent Office:

April 18 is "Invention Day." Furthermore, the Regional Bureaus of Economy, Trade and Industry are planning a variety of events and celebrations to arouse the interest of elementary and junior high school students in originality and invention and to help deepen their understanding of inventions, brands, and designs. We would like the Japanese people to become familiar with the intellectual property rights system through "Invention Day."

.... The history of the patent system has gone hand in hand with the development of modern science and an economic society. Patent systems in Venice, the U.K. and Germany are said to have supported the development of civilisation during the Renaissance, the first industrial revolution, and the second industrial revolution, respectively. As is widely known, the U.S. promoted a pro-patent policy during the 1980s, aiming at the revival of a strong America.

As described above, the expectations about the policies for intellectual property—a trump card for the activation of the Japanese economy—have been particularly high in recent years. Since July 2002, policies for intellectual property have been executed at an amazing speed, in accordance with the Intellectual Property Policy Outline, including the establishment of the Basic Law on Intellectual Property, the launching of the Intellectual Property Strategy Headquarters, and the formulation of the Strategic Program for the Creation, Protection, and Exploitation of Intellectual Property. Now, the realisation of “a nation built on intellectual property” is positioned as a national issue, and expectations that the JPO will play the central role in the promotion of intellectual property have increased dramatically.

In order to live up to such expectations, the JPO strives to realise a “patent system which executes timely and high quality examinations of patent applications and is globally recognised as the foremost patent system in the world,” aiming at the goal of the eliminating waiting time (i.e., eliminating pendency until first office action). When such a system is realised, patent right can be quickly granted, and the patentee will be able to enjoy

enforcing his right from early stage. In addition, patent applicants will be able to know soon after filing whether or not the applications can be patented, which will give companies important information to decide the future investment of R&D resources into more promising research areas.

At present, the budget for R&D in private companies in Japan totals approximately 12 trillion yen; however, 49% of the applications for patents requiring examination submitted from private companies are rejected. According to rough estimates, half of the private sector's R&D expenses have not resulted in patents. From this viewpoint, decreasing the period of waiting for the first office action is important for increasing R&D efficiency. An increase in the filing of expensive applications for patents in overseas countries can also be alleviated by quickly ascertaining whether an application to an overseas country is actually necessary or not, when an examination in Japan can be conducted in a short time. The JPO will continue to make efforts toward achieving the further enrichment of the industrial property rights system and its management. We ask for your understanding and support of the JPO's efforts.

In conclusion, we hope that you will all make "Invention Day" a starting point for the recognition of the significance of intellectual creation. What is indispensable for the realisation of an affluent and creative society? The answer is the creativity within each of us that has infinite potential. We hope that your talents will bloom based on this creativity.

3.9 Questions and answers

The first question to ask is: how did the United Kingdom, (or, for that matter, the United States), whose prosperity was built upon industry, get to the point that it now expects its inventors to fund all the development of any new industrial ideas from their household income? For that is the situation today.

I have even had a city banker tell me to my face that it is the governments' job to create jobs.

Or again, "bottomless pit old boy, never touch it with a barge pole".

The fact is you cannot have a successful industrial base and refuse to accept; that there must be a recognised conduit for new investment into new industry, that you must have an agreed method of investment in individual inventors.

The inventor has to work within a rule structure that has been agreed by all nations. Time is an essential element. You may file for a provisional application, but that means you have only one year to take the initial idea to the point of being able to define exactly what it was you were trying to achieve. So the outline of the idea is filed at the patent office and you then have to get moving to immediate development. If you have any delay, the risks of failure in this process rise accordingly.

Further, as soon as you have the outline of an idea for a new product or process, the longer you delay, the greater the chance that some aspect of the idea will leak out. Patents are heavyweight intellectual property law. So this is not something you do on the kitchen table in your spare time. Once started, the process of gaining a patent is a major undertaking for anyone, particularly an individual with no capital base.

But that process demands immediate development of not only the initial ideas embodied in the patent application, but also of the development of an associated business to exploit the patent. Thus the inventor is trammelled within a rule structure demanding immediate heavy investment in a legal process, AND a parallel development of a product AND, again the development of a new business.

You must understand that individuals that take to inventing as a lifetime objective are usually somewhat more committed to the competitive process than most and have a full understanding of what they are embarking upon. Invention is a very tough business and demands the greatest tests of human resources. These people are prepared to take on any countries largest industrial giants and devote a major chunk of their lifetime to work to achieve the competition YOU demand. The United Kingdom, for example, does not have that many individual inventors, but the consequence of not funding this aspect of job creation can have a grave effect upon the long term industrial development of a nation.

You want competition, you must support them. A free enterprise nation must support industrial competition.

"Who needs silly people with crazy ideas; we can buy all we need on the world markets?"

Yes, as long as you have money to pay for it. But the next time you buy a new digital camera, or camera phone or a new CD player..... you might like to reflect upon the fact that the UK was, once upon a time, one of the leading manufacturers of cameras, telephones and the "old" technology of a record player; but no longer. You now buy these products from countries that take a very serious interest in challenging their citizens to invent something new, invest in the development and subsequent business and sell it to us. And in so doing, they create a very wide range of interesting and stimulating new employment in the process.

And Japan is not alone in this. Moreover, you must recognise that China has woken up to the very real benefits of an intellectual property based industrial society, (which is what I am talking about), where the ability to be able to invent and develop new products will be fundamental to their prosperity. For without that industrial base, the UK will slip further behind; third world will become fourth world and a decent job for a graduate will be even harder to find than now. (It is reported, (July 2009), that here in the UK there will be 48 new university graduates applying for every new job this autumn).

The fact is, the development of industrial ideas embodied in patents is the driving force behind high level employment in any society. There is no other way; none!

Compare this with the experience of Japanese industrialists working in areas of high technology who expect, and get, equity and twenty five year money on the following terms: For every man year cost to look at the basic idea, ten man years cost to take the basic idea to a proof at the trial pre-production stage, and then one hundred man years cost to take to full production. Normal expectation of ten years to profitable sales - while anything coming good faster than that is seen as a bonus. In Japan, an inventor has immediate access to capital from a wide range of institutions that many years ago recognised that, without access to capital, you have no new industry. So there the rules are well laid out and work.

That is why; when we look at Japanese products we see a constant flow of new products replacing the one that was there the last month or so. Every new idea for a product gets initial funding, many get to stage two and the finishers grace the shelves of shops world wide. In Japan, Inventors are set at the pinnacle of industry and are set out as the highest to regard in society.

In a true meritocracy, such as the UK or the US aspires to, making capital work by creating new industry that replaces the old should be the prime function. Not strutting around with millions stuffed in your pocket and an ego the size of the Empire State Building. Anyone can be a Lord Black, but to invent something new and then take that invention to fruition and in the process creating many completely new, viable jobs in your local community is surely the greatest achievement possible by anyone?

So an inventor files for a patent and has only one year to get it right. What are they trying to do? The inventor has to deal with all the legal requirements and as such needs immediate access to capital as the legal bills are substantial and pressing. At the same time the inventor has to turn their thinking to development. The initial idea will quickly need to be tried out and the variants discovered. All this needs capital investment too. Remember, time is of the essence. No one involved has the time to sit around and debate the finer points. If the initial idea is worth pursuing, the sooner you can define that, the better.

Will it work? If not, can it be made to work? So you are immediately setting out to try the ideas out and at the same time to develop a strategy for getting the best out of the patent application. So, please, stop and think:

Who benefits from the efforts of the inventor?

If you have reached this point with some idea that the inventor is about to make a million soon and that as a consequence, they must take the risk and pool all their funds into this early stage development, you are seriously out of kilter with reality. Why do you think that countries like Japan, or, for example, Canada, (who have also set out to create an industrial culture based upon new patents and other intellectual property), bother to take such an interest in this process?

The answer is that one invention can create millions of jobs.

Yes, millions!

For a single invention has the creative energy to spark a cascade of follow-up inventing. Take the IP switching protocol for the internet, first set up on Stanford University Campus in California and now the basis for the entire internet traffic world wide. That has spawned an enormous industry; Cisco Inc., being the best embodiment. And, you will not know that at that early stage. So taking a caviller attitude to the inventor by making the inventor try to pay for all this investment is a no-brainer.

The long term gains from these initial efforts totally outweigh the short term cost. What you need is success and that success comes from investment of capital and as early as you can get started.

The next thing to recognise is that an inventor is essentially a business. They have to act as a business; as from the moment they start the process, they have all the outgoings of a business, whether or not they have a successful invention on their hands.

They are dealing with the development of new industry. A nation can benefit enormously from their efforts and yet government grants are not the answer.

Why?

The first reason is speed. Government departments are not geared to fast decisions. Getting into a debate with a government department will stifle that essential ingredient; creativity.

What is needed is an environment that allows lightening fast thinking and scintillating creativity; not bureaucratic committee decisions - forget it!

The second is that many initial ideas fall at the first hurdle. Either they are unworkable in reality, or they are already in the system and are already being developed by someone else. So this first stage has to be quick and effortless, yet well funded and taken seriously.

The third is probably the most important. You need to stay in complete control of the ideas at this early stage.

Government bureaucracy does not understand or like the verve, the vigour, the spirit of free enterprise. It is too free, too uncontrolled. They much prefer working with established large companies, not competitive new start ups.

So I can hear you thinking: "this will make for a bottomless pit to throw money into"

The way around this aspect is to remember that, if this is to work, it must involve inventors and inventions. You can very quickly find out if the patent might be possible by carrying out a search. If the search comes out OK, then all you are doing is making a simple prototype. I believe the Japanese have it exactly right. One man year is perfectly adequate to cover these costs in a meaningful way.

What are you paying for?

One thing for certain, you do not find inventors living the high life. Indeed, their lifestyle is very much like an artist, a painter or writer. Secondly, you can limit this aspect of job creation to inventors, so they must already have a track record. You are not, except in exceptional circumstances, funding blind ideas from every individual coming through the door. Spurious applications can be easily controlled by setting in motion an immediate patent search and I am certain that you will find inventors are very responsible and will be keen to see these rules work as they will greatly benefit from the success of the system.

If you take a reasonable income, lower quartile for a scientist and add the costs of office, patent application and initial prototype, you will be looking at, say, £50,000. (I would suspect that most HR departments budget that sort of sum as the overall cost of any single employee in a median office job).

Furthermore, experience will quickly settle that figure down to acceptable levels where both sides can see results.

But I make this clear, if a financial institution wants to see jobs created from investment, then, just like anything else, it must be funded. You cannot duck this first start if you are serious about generating the end result.

Simply, you add a rule that an existing individual inventor can, upon application for a new patent and after first search, obtain a man years finance to produce a first working prototype and set about the first stage of the patent application process. Upon agreement from outside review that the initial idea has merit, the second and third stages come into operation.

More than one application per annum - then subsequent grants may be reduced so that, for example, the inventors base income does not exceed, say, that for a senior European Patent Office Examiner.

They must also immediately set out to create a viable company structure and assign the patent rights to that company with a 20% of the stock going to the trust or, if not, they must be prepared to work with another similarly structured company set up specifically for this project, but with someone else working on that side of things.

That will be their choice.

The rest of the development must be within the rules of the Capital Spillway Trust as set out earlier with very simple, easily understood rules.

I believe that these rules will work and very well too. So much so that I am prepared to put my money where my mouth is, and fund this from my own resources as a test of this thinking. However, as it will take time to gain access to the royalty funds from my own patents⁹, I seek a financial institution to work alongside me to see this first stage up and running as soon as possible.

If you want your nation to succeed, then you must have the courage to invest in its thinkers, inventors, and designers. Without their past efforts, you would not even have a desk to sit at, or carpet on the floor and your partner would be still in a cave.

Please, Think about that.

Chapter 4

What is A Free Market?



North Yorkshire Market Towns

Courtesy North Yorkshire County Council

Before I start, I want to bring those of you living and working in the United States to understand that, while you believe you live in a free market economy, you do not have a history of what we here in the UK call Market Towns.¹⁰ Almost all of our rural towns and some cities are Market Towns where, since the middle ages, and very probably long before that, we have had a tradition that both creates a town with established shops in a High Street and at the same time, has, once or twice a week, a market where anyone can apply to set up their temporary stall and sell, whatever. Part of this history stems from the rural need for local farmers markets where the farmer could carry their stock a reasonable distance to sell into the local towns needs. There are many such farmers markets, though since the Thatcher years, quite a few were sold to make way for property development. Regardless, we still have many farmers markets and certainly, every citizen counts themselves blessed if they live in or near a market town. Mine is Alton¹¹, four miles away from me here in the UK.

What a free market brings, above all else, is vitality and the freedom to purchase what you need at a wide variety of sources. You are never restricted from being able to move around to find the best bargain and what you need is what you find. I believe our ancient experience of the benefits of such free markets can be applied to the process of complimenting the provision of equity capital.

Absolutely central to a free marketplace is the right to refuse the price on offer by any party to any deal. I believe that it is essential that this principle is firmly embedded into this new marketplace.

Whether it is a bond between two individuals; to work together, hunt together, marry each other, or between organisations, even whole countries – each in turn submits to the simple process of one side saying what they believe is in the interest of the other party; and the other agrees to agree or not. Each is free to make any offer, the other is free to accept or reject that offer.

The rules are very clear; Caveat Emptor, the buyer beware.

The moment you accept the deal you have to submit to it. On the other hand, no matter what the deal on offer, no matter how good the price may appear to be, the other party is totally free to refuse the deal.

In the free world, that ends the matter. If the offering party wishes to try again, they are free to make a new offer, but what they cannot do is force the issue. Any attempt to force the issue by either party is against the law in any free country. You may not blackmail someone into agreeing. You cannot hit them, attack them, even verbally, if by so doing you infringe their right to not be defamed or libelled against. We seem to have forgotten why all these aspects of our free society are there in the first place.

They are there to protect the weaker party from an imposed deal.

The right not to accept the deal lies at the heart of a free society and underpins all our human values. The rejection of that simple principle underpins what we describe as Venture Capital where essentially feudal rules apply within a structure that imposes a deal outside of a free marketplace and is why I see a need for new thinking.

For to be able to see such freedom working in practise, we created, hundreds of years ago, certainly here in the UK, sufficient free marketplaces for all other goods and services to permit such a deal to be normalised by the purchaser having free access to a large number of marketplaces. Thus no one dealer can impose unacceptable conditions as the wide range of outlets, of marketplaces, will make such imposition impossible.

So that is how the rural free market has operated for centuries. However, we can already see that these rules do not seem to apply to finance, so now we must debate what rules should apply to the operation of every free market, including finance.

Chapter 5

The Rules for a True Free Market

There can be no argument that competition, particularly industrial and commercial competition; is seen as the fundamental foundation stone of a free society. My dictionary¹² says competition is:

"The action of competing with another or others for profit, prize, position or the necessities of life; rivalry – The rivalry between two or more businesses striving for the same customer or market:

Competition tends to keep prices down"

Competition is a natural, honest, human concept; that lifts the most successful to the top of society and makes others strive and those that strive win and by winning, lead us all towards success. It is that fundamental rivalry that also keeps anyone from being in a position of too much power or influence. So it is this simple competitive mechanism that keeps us free, keeps us from falling into a feudal society where the free marketplace does not operate and where the accumulation of wealth or power has no checks or balances; where rivalry can be suppressed and competition is excluded. Feudal nations prevent the naturally successful from rising to the top and thus the best in the human society are prevented from leading their communities with their honest enterprise.

In such a feudal society, and here I also include communist, socialist as well as aristocratic and autocratic models, we always see a small group taking control of the many who, in turn, are restricted by onerous rules and other mechanisms that exclude anyone outside of that group from competing. Lack of competition tends to mediocrity. Uncompetitive nations will always fail eventually.

So this is not simply a matter of an argument about profit; this is a matter that will profoundly affect the vitality of any nation, large or small. Once an uncompetitive business environment is established you will see visible signs of arrogance towards those less fortunate who in turn have to pay the over inflated fees and costs of a distorted market. Companies and individuals trading within an uncompetitive market are able to pay themselves grossly inflated fees and the basic costs of traded commodities go through the roof; become unstable.

Let us see a simple free market in action.

A free market is open to anyone. Naturally depresses the potential for excess. Always has change occurring as prices rise and fall according to demand. Never stops evolving as the natural competitive rivalry swings the balance of opportunity to and fro. Today's winner is often tomorrow's loser and vice versa.

A free market in anything demands that the seller can always get the best price of the day, most usually via an auction, where goods and services are sold in lots at the fall of a hammer.

The fall of the hammer is very significant indeed; it clearly denotes the moment of sale. It is the moment of sale that becomes ever more important as we proceed and is matched by the moment of signature if not an auction. In that way, the moment you apply your signature to a sale agreement becomes exactly the same function as the fall of the hammer - Sold!

In many societies a simple handshake is that same moment of sale, denoting that the sale price has been agreed; the bargain has been struck.

Returning to the auction, that sale price is determined by creating an opportunity for the maximum number of potential buyers to immediately bid based upon the perceived worth, (of their purchase), to them downstream from that purchase. We call that a marketplace. The moment the bid is accepted the sale takes place; payment is made and immediately the ownership of what is being sold changes.

This point of sale is fundamentally important. If the seller retained ownership, the free market would not work as there would be an obligation upon the buyer that transferred value created by the buyer back to the seller beyond the power of the market to adjust.

The immediate transfer of ownership is thus a fundamental aspect of a free market.

The seller has to accept the price the market will deliver that day for the concept of the free market to work. The price paid must be the market price of that day. The buyer has priced his bid based upon their knowledge of the cost of whatever onward process they have in mind. The price to the final consumer is adjusted accordingly. If that buyer fails to sell on at their final market price, then they cannot afford to go back and buy more at that price and must adjust their bid accordingly.

This is the essential element. In any business where you are buying supplies for use by your company to use in your process to produce a final product; paying too much to the original producer may secure the supply, but suppresses the profit from the onward sale of the finished product into your target marketplace.

It is this natural check and balance that keeps the whole process of rivalry competitive. The only way to win over the long term is to keep your margins to the minimum that will secure a steady income.

Whether you are selling the initial raw material or finished product; if you raise prices too far you are automatically excluded by another that prices below you. Reduce prices too much and you cannot continue to pay your way. Your money runs out before you can replace the original deal with another.

It is the decisions made at the point of purchase that make for viability downstream. You cannot gain an unfair advantage.

You must constantly test your market to succeed in your market.

I charge that government has an absolute duty to see that at all times; a fully competitive, free marketplace; is maintained for anything and everything that is traded in society.

We all know the rules for a democracy but what is a free market? What should the rules say? Have you ever seen them writ large on a wall?

I cannot find them so let us create some here and now.

1. A free market is any place where anything may be legitimately bought or sold.
2. No one who is a legitimate producer of product or service for sale, nor, anyone who is a legitimate user of the product or service, downstream of the sale; can be prevented from buying or selling goods or services.

There are very specific reasons for my delineation of the legitimate producer or user. If you take a look at the simple street marketplace selling food to the local community you will see that if say, a hundred thousand others stood between the seller of the product and the final purchaser and traded the same product between themselves without any intention of actually taking delivery as a legitimate user; that marketplace would not, ever, reflect the true free market conditions, but would instead, reflect the speculative power of the other thousands to drive the price in whichever direction they wished. Today we see many trading speculatively and such practises are so widespread, they are frequently bragged about.

"Sept. 3 (Bloomberg) -- Dot-coms? Done that. Property? Oil? Corn? Been there, got the T-shirt and nursed the losses, as well. One thing we know for sure about today's global economy is that there is always an investment bubble somewhere. If you get in early enough, you can make a fortune riding the boom." Five Places to Look for Next Investment Bubble: Matthew Lynn¹³

I believe this aspect of the misuse of a free marketplace is of particular interest. Today, speculative trades of financial instruments have reached astronomical levels and have deeply destabilised money markets. Similarly; the same applies to commodities such as food and oil. Non legitimate speculators make a mockery of a free marketplace and constantly drive the formation of new price bubbles in otherwise free markets.

3. All sales and purchases must be to the highest bid at the moment of sale.
4. Ownership must immediately pass to the purchaser.
5. No seller can be permitted to influence any transaction beyond the sale.

6. You cannot deal against the market outside of the market.
7. It is the duty of everyone associated with the creation of free markets to see that there are as many as possible legitimate independent producers of all goods and services provided to society.
8. Any restriction upon the number of legitimate independent producers of goods and services acts against the interests of a free society.

So, for example, if we want to purchase a ton of potatoes, we proceed to the fruit and vegetable market, walk through the door, make our selection and pay the going price for that market that day. The ownership of the potatoes immediately passes to the purchaser upon the seller receiving their price.

The seller has no further lien upon the potatoes. This is very significant.

We all know about such transactions. They repeat in our everyday lives. But it is important to recognise the basic principles. For a true free market to operate the legitimate seller of the goods must not:

- At the same time control the legitimate purchaser and thus be able to exert undue influence upon that purchase; the price paid at the auction.
- Retain ownership of that which was sold.
- Be able to in any other way influence the progress of the competitive process downstream of the original purchase.

The free marketplace must be a true marketplace, where the original producer sells to the final user. Once you permit anyone else, outside of the true marketplace to come between the two legitimate parties to the trade to speculate simply for profit made in the trade itself, rather than as a primary producer or user, you open the door to the complete abuse of the free market; where a trade is not made to purchase for actual use, but simply as a way of influencing the price to the final user.

Rules 5 and 6 must be firmly applied.

A farmer buying a contract to supply wheat, say, in a years time, makes a trade where, ultimately, he is the supplier to a user who will manufacture a product, such as bread, also in that next year. But if you permit perhaps millions of trades by anyone who is not either the farmer or the final user, you introduce complex distortions to the final market price; that are not predicated by the decisions of either the farmer or the final user.

The market is thus distorted by speculation.

Another good example of where these rules must apply is to money loans termed for less than repayment. By that I mean to describe a loan where it will take, say, 30 years to repay the loan in full, but the rate of interest paid changes downstream of the moment of the sale of the loan. After say, three or five years, the rate of interest changes to a higher rate; increasing the cost of the money loaned.

Changing the interest rate downstream of the sale of the loan denies all the precepts of a free market by permitting the seller to change the deal to suit their market conditions downstream of the sale. Thus the seller exerts undue influence downstream of the sale to control the market against the interests of the wider society, in particular, introducing financial instability. I firmly believe that it is this specific action, changing the interest rate downstream of the sale of the loan; that lies at the very heart of most of our monetary problems today.

The practice distorts the free market, making it impossible for any purchaser to control their costs for the long term while at the same time permitting the seller of the loan to draw additional income and profit from the users' legitimate use of the money; downstream from the moment of sale, the fall of the hammer..

This is no different to a car dealer asking for more money for the purchase of the car several years after the car was sold. This is not legitimate competition. Not a free market.

Competition, real, legitimate competition, not artificial speculation, not being able to change the deal against the interests of legitimate competition must be seen as being the fundamental foundation stone; the principle purpose of a free society. For that to occur you have to have as many as possible legitimately competing in that market; any market, all markets; including all financial markets.

The more you artificially swamp legitimate competition with speculation, the more you eventually reduce the natural quality of your nation. The less competitive you become and the opportunity for anyone, from whatever background, to rise to the top and succeed consequentially reduces. Failure will become endemic.

In such an uncompetitive environment, it is an easy illusion to believe that the few that are succeeding are all that can succeed. This is the great delusion created by any feudal society designed specifically to keep the group at the top exclusively their own.

Feudalism is an economic system where the most powerful use their economic power to swamp and distort the legitimate free marketplace by false trades, speculation. Feudalism naturally excludes success for the majority. Keeps control of the marketplace in the hands of a few.

Now I show how a lack of a free marketplace affects the creation of new industry.

Chapter 6

Feudal Venture Capital and M&A

So what is it that has got me so engaged with the process of and the people involved with the creation of new industry and commerce? It is that I believe that the way the process operates today serves to completely suppress rather than increase competition and in so doing is not acting in the best interests of a free competitive society.

The result has been that job creators, inventors and the like simply do not have access to a free market for capital; particularly equity capital.

Let us look at the process of creating a new company; a new independent producer of goods or services. The company is founded by a competitive creative individual, or group of such individuals, who will capitalise the company to their own maximum ability from their household income. It is a commonplace that they are thus grossly under-capitalised from the outset.

The most important thing to emphasise here is that as many as possible start ups at this first stage must have access to the further capital they will need to be able to survive. Just like seeds in a seed bed, the last thing you want is for the majority to die off for want of a little water or nutrients. You need to fund all honest adventure at this stage.

Yes, they must be permitted to fail if the fundamentals of their particular business case are not supported by success in their chosen market. But it is imperative that they do not fail for any other reason. Good seeds must be allowed to germinate and flourish; to compete, to pioneer, to create the new adventure which in turn gives everyone else a chance to share in that adventure.

So what should we look for in such a start up?

- Independence. They have stood up to compete in their chosen market.
- Market power. They have something new and attractive that will sell.
- Courage. To take on the competition of even the mightiest company.

What do we **not** want to see at this stage?

The last thing you want in a free market is for the successful to be in any way forced into the hands of a larger competitor. That route naturally suppresses competition. Instead, we need as many as possible new companies to remain totally independent and competitive; snapping at the heels of the mighty companies.

That is not happening today. What is happening is that from that first stage start up, the founders of the company do not have free access to a free market for the capital they need to grow. Instead, they are actively encouraged to approach what is described as a Venture Capitalist who has a quite different agenda; to turn their initial investment over by selling that business on to the highest bidder for that company; in as short a timescale as possible.

"In the U.S., Michels complains, investors want deals only when the possibility of acquisition exists, meaning that they anticipate their payoff by quickly selling the company. "No one is looking for the next big thing," Michels lamented -- an opening that just might be Europe's ticket for a high-tech future."¹⁴

"NESTA Making Innovation Flourish" *Sic!* "You must have a clear exit strategy and timeframes, which detail your valuation expectations at an exit and any comparable exits in the sector."¹⁵

The Venture Capitalist, (VC), takes their start-up funding as a loan from a bank which in turn creates a vested interest that is detrimental to the wider society. Why? Because the bank also owns the shares of the larger companies which in turn buy the investee business from the VC in as short a timescale as is possible. So the very first thing the VC absolutely must achieve is total control over the company they invest into. There is no other way they can be certain that, at any time appropriate to the VC, they can sell on their ownership for the highest price available. From that moment, the founders lose control.

The competitive potential immediately collapses.

This is not a free market creating free, adventurous, independent companies.

There is no imperative for the creation of free and independent companies that will compete against the major companies. But the debate about this first stage of the process acts as a smokescreen for the next stage; Mergers and Acquisition, (M&A).

Today, instead of a process that constantly creates a rolling wave of adventurous, innovative, free, independent companies; we have a process that, immediately the start up tries to expand and has to raise capital, they become entrained into a rolling wave of uncompetitive mergers and acquisition, M&A. The people that are driving this wave of M&A are employed as a division of the banks that fund the VC. Once the start up has been financed by a VC, they are automatically entrained into a process that is designed to make them fodder for the next stage, M&A. They are acquired, or merged with another company with which they would otherwise compete. Thus this whole process is anti competition and anti free market.

Just like a human slave, the slave business must be sold on for profit at the earliest opportunity. Large companies today own many slave companies.

The present system is a closed system that has no competition. The people involved can pay themselves huge bonuses for each merger or acquisition as there is no way for any outsider to gain a foothold to compete against them.

M&A is a classic demonstration of absolute market power.

Total control!

The primary seller of the capital does not sell, but loans. The primary seller controls each stage of the downstream process; owns the M&A, controls the VC and through the VC, demands total control of the start up company. Because the VC must borrow the capital, the VC must also sell as soon as possible onwards to be able to earn a capital gain from the initial investment.

The only way the VC can satisfy the loan from the bank is to make a capital gain, turn the shares into cash as quickly as possible. To gain access to another tranche of new capital to invest, the VC in turn must play to the rules of the bank that needs the M&A activity to keep satisfied the bonus income needs of its subsidiary employees.

So, instead of many competing new businesses, created by what used to be described as "Arms Length investment", now you have a system designed to maximise the income for the banks, and to do that competition must be suppressed.

Even more important to society, no one considering founding any independent company, where they intend to remain free and independent can gain access to this capital market. No VC will go near them. As we can clearly see with NESTA above, the VC will not entertain investment when they cannot control the company and sell at their optimum timing.

The VC has no interest in long term free enterprise, none whatever!

Again, no VC will look to capitalise the smaller company either.

Here the argument will be that they will not become large enough, quickly enough, to make the short term investment worthwhile. In each case, the imperative is not to create as many as possible competing independent free market companies; instead, the imperative is to create as quickly as possible, a company to be sold on to an existing competitor.

A slave business for the slave marketplace.

This is a gigantic and totally uncompetitive feudal monstrosity that is now leaving vast swathes of society grossly under-capitalised and unable to compete. Countless thousands of grass roots individuals in the wider society are excluded from success by exclusion from access to the capital they will need to compete.

The majority do not have access to capital; particularly long term equity capital.

It must also be argued that these uncapitalised individuals are the very best people in any society.

Why?

For the simple reason that they see that it is their own natural imperative to compete as independent individuals in the wider society. They believe in free enterprise. They have accepted the challenge to create new adventures for the majority.

- To set an example for others to strive for.
- To show how hard work makes for a free and successful life.
- Or they would have if they could have obtained the capital they need to compete.

Instead, the base, grass roots of society, is thus starved of capital. Today, many at grass roots level see that the only way to gain access to the capital that they need is through being outside of honest endeavour in a free society and into illegal trade in the likes of drugs; that the road to success is through unlawful activity rather than through lawful honest rivalry, free competition. I believe that lack of access to capital drives lawlessness and there is much lawlessness today.

What needs to be recognised is that the primary savings institutions, the institutional investors, have a profound duty to see that at all times, they are doing all they can to create a free and fully competitive society. They have to change the way they return the savings of the nation back to the nation as investment into new independent free enterprise companies.

Yes, they have direct access to the largest markets on the planet, the stock markets trading in the stock of the largest and thus the most stable companies. Yes, they are constrained by many rules imposed upon them. But these institutional investors must now recognise that they have lost sight of the need to capitalise an essentially free, independent and competitive nation in a way that ensures the maximum competition; moreover, naturally competing against the very companies they have invested into themselves.

They must understand that they have to accept such competition against their investment; from these smaller, unlisted, and privately owned and totally free enterprise businesses. That they must not act in any way to prevent such competition. How do they do that?

I believe that institutional investors must return to the basics of the free market and create a flow of capital back into society over which they relinquish control.

They must return to "Arms Length" principles.

They must adhere to the rule that whatever they sell, they cannot at one and the same time, remain in control of. That title to the capital passes to the purchaser. They must recognise the need to maintain a free market reservoir of capital to service the needs of the wider society beneath them.

As I see it, all that is needed is that government ensures that multiple free markets are established for that flow of capital into the creation of the new, competitive free enterprise companies.

That the rules for a free market must also be applied to finance.

From that moment, the power of the market will take back control. Those company founders that still wish to relinquish control for a sale onwards; into the hands of their competitor may still do so. But this time, all those independent company founders also have access to capital and are free to reject that route. That in turn will create a much higher level of competition.

The VC's will find themselves in a very different environment where the independent company sector is now free to compete - on their own terms. To survive, the VC will have to provide a superior service. Their monopoly power vanishes.

M&A as we know it today will almost certainly stop. Why? Because the institutional investor will now recognise that they are not acting in the best interest of a fully free and competitive society by allowing the M&A market to continue as before. M&A will thus not be able to secure funding for anti competitive activity.

Further, any completely independent company can now always make its own deal outside of the existing M&A environment. They will own their own business, have proper access to a free market for capital and can deal with whoever they like. From this moment onwards, the M&A cartel will have to compete with a fully free market. Their market power vanishes. Competition wins.

The people running this uncompetitive feudal business environment will have to recognise that they are seen as the new Robber Barons numbering many thousands. They pay themselves bonuses as though they own the capital, the savings of the people forming their communities, as though their own fiefdom to use as they will.

That is a contradiction that must be brought to an end and the sooner the better for everyone. Freedom, as we all know, does not necessarily stem from democracy, instead it stems from our access to free markets.

Chapter 7

Working Capital

It is true that I could have placed this chapter as a part of chapter 3 Rules for a Capital Spillway Trust, but I needed to deliver the debate about the rules for a free market so that you would understand why I believe that governments must now also create a large number of new marketplaces for the onward sale of the working capital needs of new and existing business.

You will also remember that I had already mentioned the need to provide working capital of some £50,000 for every £25,000 of equity capital. Now I deal with the structure of such a marketplace.

The Central Banks should issue 25 year notes of a median value of £50,000 (or equivalent), at a maximum fixed rate of 4% per annum. (To get this started, we should consider even lower rates at the outset to drive the creation of this marketplace). Let us call these new loan notes Business Working Capital Notes, (BWC Notes).

These new BWC Notes will be only available through a new structure of open to all capital market places specifically set up throughout the country along exactly the same lines as existing free marketplaces for fruit and vegetables.

Before some of you bankers laugh at that suggestion, you might like to go out into such marketplaces, where the application of true free market rules have been applied for centuries; and meet the auctioneers that have been working, and very astutely delivering free markets to their local communities; all their professional lives.

You will discover they are very highly respected by everyone they deal with. You will also discover that the local authorities, who ensure they continue to abide by the rules, already clearly laid out for everything else, are themselves very capable. The required regulatory structures already exist, work and are highly respected.

Local authorities will be charged with creating such marketplaces and policing them as with the fruit and vegetable markets. We can thus draw upon existing experience and rule structures with the existing marketplaces. We could even place these new equity and working capital marketplaces alongside or within; the rules pertaining to and physical structure of such existing market places.

The BWC Notes to be made available to free market traders exactly along the same principles as those related to existing fruit and vegetable market traders. In which case, there will be a time element beyond which the value of the stock diminishes.

That the price will reflect a highly discounted value relative to the end use value. That the trader will try to dictate the price, but that that price will be similarly dictated by incentive to sell on the BWC Notes quickly, before time runs out and thus preventing holding onto BWC Notes to try and drive up the market.

So the very first principle is that the marketplace will decide, very quickly, what is the base price for such BWC Notes. Priced too high and they will not sell onwards, too low and no profit can be made to cover the traders expenses.

Thus, if the trader does not buy at their considered fair price, negotiated between the trader and the Central Bank, no deal will take place. Thus I suspect that there will be a need to set up regular auctions of such BWC Notes and at multiple locations around the country.

At the end of one month, any such BWC note not sold on to a new or existing business for working capital needs will time expire and the value will automatically revert to the Central Bank. As a trader, you can buy, but you make nothing if not sold onwards and will carry the loss of the cost of access to the BWC Notes. The rest of the structure can be geared to simple formula related to the previous rules set out beforehand. Access to the right to purchase such BWC Notes in a free marketplace for the long term use by your business will be predicated to the investment of any Capital Spillway Trust in any local business. Thus the PAYE records will provide access to both equity via the Spillway Trust and access to BWC Notes through local marketplaces; a simple concept within a simple set of rules as I have already set out.

I believe that such a new marketplace will serve to overcome the existing feudal system that makes for institutions awash with money from savings, but no free market access to such savings for onward investment by honest business.

The business owner will not be able to do anything with such funds other than attempt to create new jobs within a very strict rule structure. They will not be able to pocket the funds and walk away.

Such funds will be directly re-invested into new investment at the grass root level by local businesses, thus all the money will flow into the widest range of purchases for the needs of these new businesses and will greatly invigorate the local business environment.

Yes, we can hear the screams of dissent from the existing money markets.

The only possible answer is that competition is the life blood of a free society. For too long there has been a feudal monopoly of delivery of capital to business which in turn has meant that for by far the majority, (as the Times reported asking the question "where?"), - there has been no access at all. This will re-balance the scales towards job creation and an invigorated society based upon total free enterprise.

Chapter 8

Savings should be invested as Capital

First of all I need to take you right back to the beginning where the Times, London, asked the question, (about the availability of capital for small businesses); “Where?”

Before we can answer that, we need to return the rhetorical question on its head and ask another question; how do we turn savings deposited into a feudal mercantile banking system into capital; particularly, capital for small businesses?

You deposit your spare income into a bank account and the bank pays you some small interest, as income, on your “savings”, in your deposit account with the bank. The entire modus operandi of any bank is to LEND that deposited money, your savings, back out to a borrower. Either as, say, a mortgage so you may purchase a house, or a loan for a car, where the capital cost is beyond your ability to pay the full capital cost immediately. You effectively get to use the house or car while you pay that capital cost over the longer term. Lending gives you access, not to capital, but the use of a capital purchase beyond your short term ability to pay. But lending to you is not capital, nor is the use of the capital item capital either.

An interesting paradox, I am sure you will agree.

So savings deposited into a bank cannot be used as capital. Borrowings are not capital. If we wanted to get pedantic about this we need to remember that, when the bank lends money, it ALWAYS needs some form of capital as security to set against that loan. In the case of the house or car, the security is the house or car. In the case of a car, the loan is short term and the car depreciates as fast, or even faster as the loan diminishes so you also need further capital security to secure that loan.

Further, as the feudal market works today, if the house depreciates in value too, the bank needs more security to permit it to continue to allow you to borrow the money for the house. So we need to remember that it is precisely this aspect of these transactions that has systematically collapsed the banking system. Savings lent from a bank are not capital.

“Where” is the capital? It is not there!

In that case, we have to look at this from an entirely different angle.

I am going to deposit some of my savings into a completely new form of “savings Institution” called, interestingly, Capitalism.

I am going to purchase some equity shares in a job creator.

No, I am not defining any product, or process, or any source of profit. Remember, we do not expect the job creator to make any profit at the outset. I get the share certificate; the job creator gets equity capital.

What does the job creator do with their capital? Well, they certainly do not stuff it into their mattress, or take a long holiday on a sunny isle; they deposit the capital into their bank.

I am sure I can see a faint smile appearing on the face of the reader.

Interesting thought isn't it? My “savings” are still deposited in the bank and instead, earn the job creator a small income. Why would I do that? What are the benefits of such an arrangement?

As a local individual in my local community, I have agreed to make my savings available to the local job creator so that they can pay all those long term costs to create jobs in my local community. And, no, this is not some altruistic gesture, it is capitalism. So how do I benefit? And, for that matter, how does the bank benefit too?

The benefit to me is a long term possibility that, if the job creator succeeds, they will pay me dividends on those shares that will be more than any bank can afford to pay me for a deposit. Historically, (certainly when I first started investing into shares), the norm was always seen as being in the range of 8% per annum. At the same time, that capital is used by the job creator, AND the bank; as capital security.

Equity capital invested into a job creator is spent, yes, but the capital value of those "shares", provided by me the investor, is also used to provide security against which the bank then lends working capital. Now, when we return to the rules I have previously set out, the job creator takes their deposit of equity capital, the shares and uses that to secure working capital in the form of a loan of twice that capital. For every 25,000 capital deposit, they get 50,000 of working capital. The bank has the original equity capital as a deposit and they also have the greater security of the value invested into the business through those shares securing the lending.

My investment is automatically tripled and yet there is more security for everyone involved than if I deposited the money into the bank as a saver; instead of investing it as equity capital into the job creator.

But before, if I lend my savings to the bank, which is then lent to the job creator, the job creator has no capital and the banks risk is thus much greater, even though we are talking about the same money, my savings.

Banks, normally, use their customers deposits to make additional loans and a bank usually keeps about 8 -10% of their own capital as a base against which to stabilise their business too. But just as importantly, that customer deposit is not capital invested into the bank. The bank needs its own capital too.

So now, we have a bank that has security, my savings, turned into shares in the job creator. The local community has a job creator creating jobs and more jobs bring in more savings into that savings institution called capitalism.

Now, more equity capital invested means more stability to the banks.

The watch word is stability. There are distinct benefits to using capitalism to create new jobs.

Again, both the investor and the job creator have every incentive to keep these job creation costs as low as possible. Why?

The better they achieve lower costs, the longer their capital lasts, the more time they have to accomplish their aiming point of creating long term secure employment in their local community.

If now, the bank wants to lend to fund the purchase of that house or car, they can still do so with the additional funds, the job creator's deposit which is now available to them. The bank lending is much more secure.

Yes, many of these job creators will fail. But the money is still in circulation in the local community so it is not, in any sense, lost!

What everyone has missed is that, what makes capitalism so successful is precisely that the savings are retained in circulation in the local community, regardless of whether or not the job creator succeeds.

My savings, invested as equity capital create a platform, just like any railway station platform; the larger the platform, the more people you can stand upon it; the greater the number of jobs that can be created.

Capitalism creates an equity capital base upon which a nation creates jobs. The more you invest, as equity capital, the more jobs created.

Now we need to look at failure and success in more detail.

Failure.

We overcome the failure by a very simple mechanism; I do not invest, the local community invests. We share the responsibility. Now I turn to an even more important aspect of this debate by asking another question; what actually happens to the money invested?

I have often been intrigued by people saying things like, as a nation we cannot afford to do this or that, or, the classic, we are pouring money down the drain. Remember the words I quoted to you earlier; "Research and Development old boy, bottomless pit - never touch it with a barge pole". Bankers are always afraid to lose the money. If we listen to the so called expert in the city, the feudal mercantile banker, we would never bother to do anything with our savings for fear of losing the money.

But we are not lending, we are investing.

The fact is; the answer to the question of what happens to the money invested is astonishingly simple. The less we fear the loss, the more successful a capitalist nation becomes.

When I purchase, anything, my money does not “stick” to the purchase; it passes into circulation throughout my local community. Money is simply a means to lubricate what we call a transaction. When we pay for someone to carry out, for example, research and development; the money is not thrown down the proverbial drain, it is not lost; it circulates. Go back to the job creator; it helps to pay all those job creation costs, moreover, throughout the local community.

So now the job creator has made a sale and their sales income starts to replace the invested equity capital. Indeed, that is the primary aiming point from the outset. The job creator is simply setting out to create a stable mechanism whereby whatever they are eventually going to sell; a product or a service - creates an income. They find sufficient market for what they sell so that the income they create from selling their wares, covers all those job creation costs..... first.

So in that case, even a partial success is already starting to replace job creation cost with new sales income.

So job creation is simply a continuous exercise to try and find a stable market for a product or service. The more people try and create jobs, the greater the amount of equity capital invested, the greater the equity capital underpinning the bank lending, the greater the stability.

Now we can turn to success.

Success is even simpler. The job creator succeeds and for every pound or dollar or Euro they need to create their service or manufacture and distribute their product, they manage to create a business that brings in slightly more income than what they pay out.

It really is as simple as that.

Moreover, the market they address is stable and they continue, month on month, year on year to repeat that success. They succeed, first by not running out of capital before they reach that point of success, and then by generating even more income and thus retaining a profit that they use to pay for even more job creation. From that point of success, they pay for the new jobs themselves.

They increase their income beyond their costs. They prosper!

Now, where does that new prosperity come from? - The platform!

The equity capital base of their local community is directly relative to the prosperity of the local economy; the amount invested! Moreover the stronger that capital base; the more chance they have to succeed.

In a true capitalist society, you need as many as possible working, saving, and investing those savings back into job creation into the local community. So there is every benefit to savings used as capital placed into the hands of the job creator. The more you invest, the greater the prosperity. Capitalism is a very simple mechanism that brings great rewards; if you invest.

The more you invest, the greater the amount of money invested into new employment. More employment brings greater income, both to the local community as wages and salaries to the employees and in direct proportion; taxation to pay for the community support services provided by government. More tax income, less government borrowing.

As you start to run out of potential employees, their income has to increase as job creators via for their services. Again, the use of employees must also become more efficient, so their relative efficiency increases. In every case the capital platform for the local economy increases which in turn increases prosperity.

The invested capital NEVER disappears.

It is worth pointing out that the Marshall Plan capital invested into Germany is still identifiable today. Oh! Yes! If you go and look, it is still there. And is why the industrial economy of Germany is so strong.

Further, if you take my advice and create a mechanism whereby the less successful job creator, (who creates stable employment but not profit), is encouraged to repay the original capital to buy themselves out of the system, (so that they may, if they wish, pay themselves a better income); the capital returns back into the system to be used again.

Now I will talk about the wider implications for the use of capitalism as the savings institution for a whole nation.

Chapter 9

Resolving the Issues of Responsibility

Now we can see very clearly why it is fair to say that by far the majority of savers, certainly in the United States and United Kingdom, have not been closely integrated into a capitalist society - certainly not for some five or six decades and perhaps, for many, never. Their savings have instead been directed towards a small number of “institutions”, primarily banks and funds that have not had any mandate to re-invest those savings back into their local communities as capital.

Instead, what we have seen is that these institutions have seen it as in their interest to take the collective savings and pass them on to a variety of mechanisms that trade with the funds made available to them. An excellent example being Hedge Funds that use very complex mathematics to trade vast volumes of trades, every day with computers that make a trade upon the tiniest movement of any particular market. Which trade, in turn, has sparked great turbulence within those markets to the extent that, collectively, they are well known to now trade more than the gross national product of a nation per hour.

Another egregious aspect of using central institutional structures is that they have made a decision, collectively, to drive their investment into local communities other than in the nation of origin of the savings. They call this “Globalisation”. The quite natural consequence is that the local communities whose savings have been taken but not reinvested back; have become moribund. Their expectation of natural prosperity from the investment of their savings into capitalism simply disappears into another nation entirely. Yes, on the one hand, when trade is to the advantage of such funds, in their eyes they succeed. But if they get their decisions out of kilter with events, they can lose the majority of the full value of those savings quite literally overnight.

Never in human history has the old adage of the dangers of placing all your eggs into one basket been better illustrated by recent events. But most importantly, none of these actions can be seen as capitalist as they naturally create a feudal mercantile structure to the use of the savings by placing all the investment decisions into the hands of a very tiny minority of individuals.

The net result is, in my humble opinion, neither the United States, nor the United Kingdom is a capitalist nation.

Moreover, if they now employ more than half the nation in jobs created by the expenditure of taxation, they are not free enterprise nations, but classically socialist.

And, no, I did not make up these rules of engagement, those trying to continue the illusion did so. Now you can see why I stated at the beginning that I believe the word “Capitalism” has been high jacked to camouflage the feudal mercantile economy. So if, as it now appears is true; that the United States government employs 52% of the nation, then the United States is a feudal socialist nation with a feudal mercantile economy, economically, not much different than a communist economy.

What will make a difference? How do we change direction? For a start, I am not going to suggest any form of revolution. The changes needed are in fact quite minor and if the necessary steps are taken in a determined manner the whole ship can be turned around very quickly without difficulty. First of all we need to establish some principles.

If we go back to the origins of the Magna Carta here in the United Kingdom, we can see that the central long term principle was to make men free. No, we did not achieve that as the United Kingdom remains a feudal nation to this day, but we did set into motion the debate.

The Founding Fathers of the United States certainly made a much better fist of the job and if we use their basic principles, we can finally finish the job. The basic principle is very simple indeed; you spread the decisions of the nation across as many of the population as is humanly possible, you make everybody, man or woman, free to make their own decisions. In my view, the words “We the people” should open every constitution on the planet. Yes, many would argue they are indeed free. But what everybody lost sight of is that, if you restrict access to the

decision to create a job, by restricting access to the savings of the local community as investment of capital, by placing the decision whether or not to invest into the hands of a small minority; instead of creating an enterprising, free community; you instead create a feudal nation.

And that is why, in chapter 3, I have set out in great detail a set of rules for the investment of the savings of a local community as capital and why I set a base rule that only gives the investment fund 20% of the resulting equity of the new found business. A 20% holding does not provide any mechanism, outside of total bankruptcy, to take control over either the business or the founding job creator.

The job creator remains free.

The fundamental principle is that instead of trying to restrict access to capital by placing the decision to invest into the hands of a tiny, naturally feudal minority, you place that decision into the hands of the job creator. The decision to create a job over rides the natural tendency to restrict the competition of the new job.

In that case, anyone, from any background, wishing to be totally free to stand on their own two feet and make their own way forward in life; may do so without restriction. All they have to do is create a job for someone in their local community and to do that, they alone make the decision as to what that job may entail. What market they will address.

The job creator is left free to make those decisions and yes, even free to fail. That in failing, (if that is the result), there is no loss to the local community in letting them try. That instead, the attempt improves the overall prosperity of the community by continuing the process of spreading the capital investment throughout the local community and the competition will, as a consequence; suppress the creation of any monopoly.

The job creator takes the responsibility for the success of their local community. By their success, for there will, inevitably, be successful job creators; they will demonstrate to everyone surrounding them the power to make their own success as free individuals within a free society.

Next we need to create a new form of financial institution.

Chapter 10

The Fulcrum for Change

Before we can define what must be altered to bring about the changes needed, we have to look back to where the FIRE economy began and learn a classic lesson from history. I believe that we can define that beginning precisely, both in time and location. It was at a meeting in London in 1964 between two individuals, Jim Slater and Peter Walker and a London based savings institution. The conversation went something like this:

Slater Walker; we have identified a company that we believe has hidden value and we have come to you because we need funding to enable us to purchase a block of their shares sufficient to be able to take control of that company and break it up to “unlock” that hidden value. (Up to that point in time, a public company was considered to be sound and well run if it had, over time, built up internal prosperity, some in the form of a cash surplus, some in fully depreciated property with an understated “book value” are two examples sufficient to give you an idea of the picture Slater Walker presented).

They got the funding and they proceeded to do precisely what they had set out to do, they broke up the company and released substantial hidden value to the shareholders, the original savings institutions. Once this single event became visible, an unstoppable new paradigm slowly emerged which we now describe as the FIRE economy. Looking back, at the time, it was so easy to see the short, even medium term benefits.

But no one saw that they had also changed the fundamental direction of the responsibilities of the savings institution; from external, arms length investment, to internal investment with the primary aim of generating additional prosperity for the savings institution at the expense of the overall prosperity of the external community.

That the underlying philosophy of the savings institution changed direction and where in the past they had invested the savings of the nation – at arms length and thus without an expectation of control over the external community of savers; they now invested to bring increased prosperity to the savings institution.

The balance between the prosperity of the external community and the internal savings institutions changed. From that moment onwards, all investment became centred upon the need to maximise the prosperity of the savings institutions, what we now describe as the FIRE economy.

From that momentous meeting onwards, Savings institutions lost sight of their underlying responsibility to invest equity capital to create long term prosperity at arms length and instead concentrated upon investment into “privateers”¹⁶ who would bring that prosperity back into the savings institutions.

What should have happened was the savings institution should have told Slater Walker that they could have all the funding they needed to compete with the existing company and through competition, force the existing company into using its hidden value to in turn compete against them. What happened instead is that from that moment, the savings were not invested as equity capital into new industry, but were instead, invested back into the institutions themselves.

At first sight, that simple statement seems innocuous but in fact, it underpins the complete destruction of the industrial society. Instead of investment of savings into industry created by the industrious of the savers community, all future investment had to compete with the returns available internally to the FIRE economy. Savings were from then onwards used internally, within the institutional economy to change the value of the paper assets held by the institutions.

Investment between the institutions from that moment became the dominant producer of the income of the institutions.

Let me give you an example, a parallel if you like. If a savings institution buys 10 million new issued shares, say of a base issue value of say, \$0.10, ten cents, then the issued capital of the company will be \$1 million. So the value of the investment into job creation for the savers of the local community is \$1 million.

But the stock market value might now be, say, \$60 and the savings institution now buys those same 10 million shares for \$600 million from another similar savings institution, that money, the \$600 million, is not invested as new job creation equity capital back into the savers local community; but instead, the money stays within the savings institutions internal economy. The savings are not invested into the local community, but instead drained off and used by the institutions for their own benefit.

Once you change the emphasis from investment of equity capital into the industrious of the community of savers; to investment BETWEEN the savings institutions, you automatically lock out the savers who now cannot benefit directly from local investment. And that is exactly what has happened. The prosperity of the community has been surrendered and instead used as the base investment between institutions.

By far the majority of that prosperity has now been transferred from the local communities into the holdings of the savings institutions as investment between the institutions.

And that brings in another consequence of the way this new intra institutional investment has developed. If you invest savings as equity capital to create new employment into the local community, the money has to be used to pay all those job creation costs I have described earlier. So no matter if that business fails, the investment retains a value as the money circulates within the local community.

But if you instead take those savings and allow the savings institution to pay another savings institution a NOTIONAL value, (for a \$0.10 share certificate), of, say, \$60 this morning and the value later that day reduces to say, \$50; that reduced value is totally lost; evaporated. There is no value other than the notional value anyone will place upon the share based upon what the stock market places as a market on the value. While values go up everyone can pretend that this is the way to make more money than by investment into the local community; but the moment the trend turns down, all those savings can completely disappear with no benefit to anyone. Exactly what is happening today! Much more importantly, now we can see from history where we, the savers, the people of the external communities, have to drive the debate. We have to address the fundamental philosophy of the savings institutions. We must forge a new order.

Savings institutions have to recognise they have a duty to invest the majority of the savings of their local communities back as equity capital, via free marketplaces, under free market rules into a fully competitive free society. Investment into inter/intra institutional vapourware must stop.

Savings must be reinvested back into local communities as equity capital. There is no other road towards a prosperous free enterprise community. Every other road perpetuates the mistakes of past history with a feudal mercantile economy dominated by the intra institutional investment policies of the FIRE economy that very effectively destroy value in a downturn.

Finally, perhaps of even greater importance is a need to recognise why, all those decades ago, before Slater Walker, housing costs for the employees and business rents in general in the likes of London were so much lower. In a capitalist economy, where the savings are directed back into equity investment into job creation within the local communities; it made no sense to raise asset values. Why? Surely the imperative to make money from rents and increased asset values, (as increased income for the financial institutions), should remain? I take you back to the debate about the need for incentive to keep costs low. In a capital based society it makes no sense at all to drive up the costs of fixed assets. You are creating a competitive society where you need to keep fixed costs as low as possible. By that, you in turn create low rents, which in turn reduce the pressure to pay ever higher wages to cover the costs of the fixed assets. In truth, I doubt that anyone, other than the financial institutions, has benefited in any way at all from the ever rising costs of housing. Higher rents, mortgages, business premises rents drive up the cost of everything to the point where your local community can no longer compete against most other nations.

Yes, your banks have made a fortune. But now your local economy can no longer compete against lower cost nations to the extent that the majority of you are left with low quality jobs, no skills, no opportunities for the young and a constant, ever present problem of trying to address unemployment within more and more communities throughout the nation. You will not be able to achieve prosperity for the majority until you let go of the notion that prosperity comes from driving up asset prices. Prosperity comes from investing equity capital into the industrious job creators within your local communities, not fixed assets.

Chapter 11

The Function of “Hidden” Prosperity

The leaders of the Western world’s savings institutions and the law makers who are charged with regulating them have to understand that it is they that now have to completely change the direction of their thinking. So, in particular, today, I am talking to you as a group.

The previous chapter showed us how savings institutions have been systematically removing hidden prosperity from the external savers community. It also showed that, in a declining market, the value of the savings held by the savings institutions automatically evaporates.

Now you need to change your perspective and learn to understand the true function of all that “hidden” prosperity; for hidden prosperity is absolutely vital to sustain a functioning free enterprise capitalist community of savers; a nation. You are presently embedded within a feudal mercantile economy where trading is the primary function.

One of the reasons why you trade is the very real simplicity of your business model. Very low overhead and once set up, needing very little of any other input to continue to trade. A bit like a roulette wheel player; from the first successful trade, you have an income, and can place that income immediately into a new trade. If you can keep the trades mostly positive, every day is a success.

But if you wish to design and manufacture a physical product you have to abide with different but still very simple rules. I call them the 1, 2, 3 rule. If it costs you a unit of money, (£UK or a \$US for example), to manufacture, it will cost you another unit to cover the above the line overhead costs and you must generate a minimum of another unit to cover below the line costs and leave a profit. If anything costs a \$1 to manufacture, you must be able to find a customer for at least \$3, preferably at least five or even ten or more still if a new product.

To be able to successfully manufacture – anything, requires an onward sale for more than three times what you have already invested. Thus creating new prosperity requires you not only need investment, you also must have a prosperous customer.

But, for decades now, you have been systematically removing hidden prosperity from the savers community, the surrounding nation and taking that money to use entirely for trading within your own intra institutional economy. There have been three major consequences:

1. The reduction of surplus, “hidden” prosperity to pay for the purchase of the finished product.
2. The drive to replace lost prosperity with credit to pay for the cheaper products. Ergo, the rise in the influence of credit in society.
3. As job creation became more difficult, governments have increasingly borrowed money from the financial institutions and tried to cover the cracks by becoming the dominant employer themselves. In the process further burdening the nation with massive taxation increases, in turn reducing the competitive stature of the nation.

These in turn led to the drive to further lower overheads by creating new production, (in nations with ever lower employment costs), to keep the overall purchase cost to a minimum to cover up the reality. And again, that explains why, in 1994 I was told by City of London Bankers that it was the governments responsibility to create new jobs - The net result?

Your savers community, year in, year out, became ever less prosperous.

I do not have the facilities to be able to, but I challenge The European Central Bank to quantify the difference between the issued share capital base of the Western world and the total claimed financial holdings for the savings institutions.

That difference is the amount of hidden prosperity that has been drained from the external savers community into intra institutional trading and represents the loss of overall prosperity in the Western world.

One of the first things that must happen is the need for all the savings institutions to recognise they cannot stand back and continue to pretend that job creation is the governments’ problem. THAT is the greatest illusion of our time.

The savings institutions have to recognise that they must put that hidden prosperity back into circulation; outside of their intra institutional trading systems and back into the external savers community.

How do they do that?

The answer is very simple; not only do they have to fund the re-capitalisation of the western economies, they have to place orders, buy product. Become, for the short term, prosperous customers.

Why would they do that?

What possible reason can I give to encourage them?

I ask them to take a look at past history. Every other time we have had a severe decline in the prosperity of the ordinary people, we have had a world war. War is the easy route to the creation of orders.

War is the last thing we need right now.

But there is a way forward that uses the simile of the use of a war footing to bring what can be done into focus. To quote an Englishman, Sir Geoffrey Chandler, that I had the honour to meet a couple of times in the late 1980’s here in the UK when he was the Industry Advisor to the Royal Society for the Encouragement of the Arts, Science and Technologies, commonly known as the Royal Society for the Arts, the RSA. Geoffrey Chandler had had letters published in the Times, London,

“Urging the creation of new manufacturing industry with the same urgency as though the nation were at war”.

We need to create jobs as though we were at war.

The savings institutions, not the government; the savings institutions, have to place their efforts onto a war footing; but without a war in mind.

The United States, after 1941, completely changed the direction of their economy by direct investment into war production. What I am suggesting is that you do not need a war; you only need to invest in capitalism and act as a customer for a short period, to stimulate the economy as though you were at war. At the moment, it is the Western governments that are trying to do exactly that. But the fact is; they do not have anything like sufficient funds available as they have to use tax income from a declining economy and they do not have access to the savings of the nation. You do!

The way forward is in the hands of you, the leaders of the savings institutions. You hold the savings, vast quantities of money. As long as it remains in your hands, in a declining “traders” market, that value is fast evaporating, day by day. Yes, evaporating, vanishing!

Moreover, as things stand, if you are totally honest with yourselves, there is nothing you can do to stop the decline – is there?

You have already seen the loss of something like a half of that value over the last year or so; evaporated right in front of your eyes. Hundreds of billions, gone!

If you do nothing, you are doing exactly what the Captain of the Titanic did; you are paralysed without a plan of action and you are simply going to watch the ship go down around you.

How do you move from paralysis to a vibrant new economy?

You simply invest, into the grass roots of a classic capital based society, that money which you will in any case lose if you stand still and do nothing. You get that money out of the trading intra institutional economy and get it back, as fast as possible, into circulation, as equity capital investment within the nation’s savers community.

Time is of the essence.

You need an example of what I mean when I say we have all we need close to hand to very rapidly create a new vibrant economy from the ashes of the present difficulties.

I warn you, this is going to stretch your imaginations to the limit.

You are going to have to put all those “I must not take a risk” instincts into a dark corner and open your minds to new thinking.

You must remember my previous point; that equity capital placed right at grass roots cannot evaporate. That in the worst case even failure allows all that “prosperity” to continue to circulate as a potential to create orders; the money to buy a new product from someone who follows with a better idea for a long term profit. You are going to, for want of a better simile; re-charge the hidden prosperity battery of the Western savers communities with capital.

Even a piece of junk can open the door to community prosperity. I am, very deliberately, going to take as an example, a piece of junk, a very old aircraft engine.



It is in fact an old sleeve valve radial engine; a Bristol Siddeley Hercules 14 cylinder radial aircraft engine. (I must add immediately, I do not own it, nor do I know precisely who owns it, but I know it needs working on).

At the time of its production it was at the leading edge of technology, both as an internal combustion engine and also as an example of the use of high technology materials, in this case, Nitride Steel. (It is Nitride Steel that makes the sleeve valves thin enough to enable the engine to work efficiently and with less weight than with more conventional valve mechanisms).

You could break it up and sell it for scrap in which case I would expect it would bring in, say, £200. (\$300).

You could try and restore it by simply taking it to pieces, clean up the components, reassemble it and try and start it. As a single individual, you might put in a couple of man years work, unpaid, and have nothing much to show for the effort when the exercise is finished. No real economic benefit at all.

But instead, you create a business plan. You say you will employ yourself, plus one aircraft engineer, one machinist, two engineering apprentices, a couple of computer design technicians plus a girl as a secretary for three years while you create a new engineering workshop.

Your new business plan now aims to completely disassemble the engine, manufacture all required replacement parts from scratch using the original for templates and at one and the same time, you teach the apprentices and the computer design technicians every aspect of using all those soon to be completely lost skills and knowledge; such as how to design, manufacture and rebuild aircraft engines.

In turn you teach a wider audience how to design and manufacture components made from various exotic materials and you use that knowledge gained to open up new markets for new products that, from the outset, you cannot define.

You take the scrap engine and you build a new business around it.

Using the rules I have already set out earlier, you are given equity investment to cover the creation of 8 new tax paying jobs, 8 X £25,000, £200K plus working capital of £400K. Total investment back into the local community £600,000.

You will have:

- Turned your pile of scrap into a new workshop equipped to carry out the design, manufacture and major overhaul of aircraft engines.
- Opened up new markets for all that equipment and software.
- Created new opportunities for computer design technicians.
- Trained two apprentices.
- Opened up the potential for forays into a host of new opportunities such as:
 - New design for internal combustion engines.
 - Use of Nitride Steel in new mechanical designs.
 - Opened a new market for the local heat treatment facility.
 - Turned to looking at Heat Engine design for refrigeration systems.
 - Created a local facility that can carry out sub contract engineering work for other local companies.....

I could go on and on. (And no, I am not considering the engine as a business venture; I simply use it as an example to stimulate debate).

But any existing business person can see the underlying problem, the missing customers. With all that lost, “hidden prosperity”, you do not have anything like enough capacity, prosperity, within that local community, to purchase the finished engine.

That is the second, and perhaps as important a responsibility. The savings institutions have to, certainly for the short term, become customers and buy whatever is produced.

A crazy idea? - Not at all! The next time you buy a newspaper, give some thought to what you are doing. You buy it in the morning and I will bet my bottom dollar, you will have discarded it as waste before the day is over. The “product” has a very finite life span.

Your economy manufactures uses and throws away. It is not the profit that makes for prosperity it is the investment of the capital right down at the grass roots that spreads prosperity from the use of the capital.

THAT is the lost lesson, the forgotten truth that underpins the success of classic capitalism.

Yes, you need profit, but that is the long term aiming point and thus comes much later and acts to stabilise the economy. Right now you have a collapsing economy desperate for investment. Yes, you are going to fill your foyers with re-built aircraft engines and the like. So what? But now multiply my single idea by several hundred thousand others with new ideas that might or might not work, but are legitimate, honest ideas for potential job creation and spread them right across the Western world. 24 million new jobs, 1.8 Trillion of replaced prosperity all within your own local communities. Yes, producing everything imaginable, from high value furniture, ceramics, art, electronics, software, even new forms of energy. Go back to re-read page 4, “the LRP art collection comprises far more than 2,000 works of art, paintings, graphic arts, photographs and sculptures”

The fact is there are inventors and original thinkers all over the planet with their heads brim full of new products but who cannot find a single penny of investment. One of the interesting side effects of your running a feudal investment strategy entirely focused upon M&A. If you believe that investment has only the one purpose, to bring in a quick profit for the investing institution, you have lost sight of exactly why equity capital investment is so successful at creating prosperity; at why capitalism succeeds. Prosperity comes from getting up off your butt and doing – anything! Backed up with the equity capital you will need to pay for the employment you must create to enable the chance that you might just succeed to make a profit. Profit is the expectation that in the long term, you are able to create an income from what you have set out to achieve.

Profit comes much, much later; sometimes decades later.

Until you lose your inhibitions to investment, you will not see the long term success that lies just beyond your perceptions. You just have to believe that it is possible to invest into the local community without any idea of if, in the end; the investment will succeed in creating a stable long term income. Again and again I come back to the nub of the debate.

If the investment fails, all the money is now in circulation, allowing others to try. The money has not evaporated but serves to permit others to buy the goods and services of anyone that is trying to create new employment in their local community.

When the investment succeeds, under the rules I have already set out; the savings institution gets its money, its original investment capital back to permit the whole to continue forward. Plus all the new employees’ savings, and improved transactions, adding to the overall prosperity of the local community by the very same mechanism:

Capitalism!

Take a look inside a poor family’s home. Yes, you will see the ubiquitous TV, Play station, home computer, cooker and refrigerator some cheap furniture and clothes. But look again at the successful family home. It is full of high value objects, every one of which can be manufactured by local companies, employing local people.

High value, hand made furniture, hand made prints, art, ceramics you name it - the house will be full of prosperity.

Today government tries to reduce poverty by spending taxation; but that is a policy objective with limited success at the best of times. - Why? Because the truth is, the only way to make that poor family prosperous is through equity capital investment so that they can find better value work to pay for their own success. If all you do is lend them money or pay them tax income handouts, they have no mechanism to work their way up that ladder of opportunity.

Now take that simile and use it to look at the local business community. In the past, your imperative was to keep them grossly undercapitalised and loaded to the maximum with credit.

But now, if you return that hidden prosperity, allow it to return, you will discover all those companies will be instead using that prosperity to buy the products of those new companies creating them.

Prosperous companies will themselves spawn even more success. You will create a rainforest of successful capitalism, not a feudal mercantile desert as today.

In Victorian times, new hospitals were built not by government spending tax but by prosperous local businessmen using their “hidden” prosperity to the long term benefit of their local community. This was not some form of altruism; it was common sense. By investing into the local community they were following on from their success in local investment into the productive capacity of their local communities.

Once you grasp the idea and run with it, you will discover that most of the present day functions of government tax income expenditure, moreover government spending, not from tax income, but from borrowing from the financial institutions, will be easily replaced with services that the local community can thereafter pay for themselves.

So you have the prospect of increased tax income from the successful economy matched by a reduction in the need to spend taxation; surely a recipe for reduction in taxation?

The FIRE economy has failed. It has failed to create a prosperous community. Has no means to create new employment in a downturn. Automatically destroys notional value as the economy contracts.

The quicker you all accept those simple facts, the faster we can make a new start with a free enterprise based, free market, capitalist, successful economy.

Now the debate turns in a new direction, towards government. No one in their right mind would dream of placing all the blame for the present state of affairs wholly on the shoulders of the financial institutions and the banks. For it is also true that government has played a part. So now I turn to the responsibility of the legal advisors to our elected politicians.

I am placing that part of the debate here as I believe that there is a good reason to believe that a major part of the development of the FIRE economy has been driven by a feudal attitude to small business job creators from both the United States Department of Justice and the Commerce Department and by a similar feudal attitude to new job creators here in the United Kingdom. By opening up the debate in the direction of government, I believe there are further and substantial gains to prosperity for the long term.

Chapter 12

The Responsibilities of Government

My starting point for this part of the debate about the responsibilities of government comes from a belief that, (as a foreign Inventor holding United States patents which are, I was told to my face, being blatantly infringed by The United States Government); there is a desperate need for new thinking. As a part of my journey of discovery, I came to realise that no attorney will represent me against the full might of The United States Government and I therefore asked myself a question:

That where a government department or other Federal agency of the United States infringes United States patents and fails to act with the highest ethical standards towards the inventor;

Is that government department Ultra Vires? Beyond the law?

Having asked myself that question, another immediately came to mind:

Surely there is the need to create a framework of appropriate rules; to ensure that in future, at all times, government attorneys always act to the highest ethical standards in their dealings with inventors granted United States patents? (My debate you will see, will apply to all nations).

In this chapter, I am going to take those questions and provide some answers in such a way that the required framework of new thinking can be addressed not only within the United States, but also in every other nation so afflicted with feudal attitudes, by its internal legal advisors to the lawmakers, the elected politicians. My aim here is to put a stop, once and for all, to the utter indifference of public servants, when dealing with a lawful new job creator.

In so doing I believe that I will highlight a grievous wrong being done to individual inventors, not just myself; who find, as I have, that on the one hand the United States government attorneys refuse to act with the highest ethical standards and on the other hand, no other attorney will stand up and fight unfunded against the full might of The United States government, when government departments wilfully ignore United States Law in a variety of ways, to avoid paying due compensation for the use of the intellectual property. My first aiming point is to see laid down in statute the right of an inventor to be represented in a court of law for an action of infringement by the government of the United States as though I were a common criminal, for as such, I would be so represented. As an inventor, I am not. I also ask that where an issue is complex, adequate funding is made available. In this way I wish to see that what has happened to me is never repeated again.

The Government of The United States has granted me International Patent Cooperation Treaty, (PCT), patents that, (because they refuse to recognize those patents), they have made the perception of their value; valueless. That today, for the individual inventor, the piece of paper described as a United States Patent is not worth the paper it is written upon - Worthless! Because of this refusal by government, to recognise those international patent treaty rights, I show that great damage is being done to the fabric of the nation and the national interest.

Between 1998 and 2002 I was granted three United States Patents; 5,712,679, 6,181,373 and 6,469,735, (plus one Japanese patent, Number: 2896930). I quote from the cover letter sent to me by my patent attorney, at the delivery of the third US patent:

"I am very pleased with the scope of the claims that have been obtained in this patent. Your attention is drawn particularly to Claim 13. This claim recites a method of identifying the position of a first location to security personnel at a remote location. The method comprises only the three essential steps of. (a) receiving global positioning signals at the first location; (b) obtaining an image of the first location; and (c) transmitting the received global positioning signals and the obtained image from the first location to the remote location. This claim is particularly broad because it does not include any limitations related to the nature of the device that carries out the method. Accordingly, the claim covers any device that practices the method including analogue,

digital, and/or computer-controlled devices. It also includes portable or self-contained devices, as well as component systems. Of all the claims of all of your U.S. patents, this is perhaps the most broadly written."

The patents apply to any radio transmitter, (such as a cellular telephone, or a battlefield radio), that has a camera and a navigation system described above. They are not simply for a device, but describe a full system and include the software, operating system, the device itself, the transmission of signals from the device to a base station and all the operations downstream of the base station.

Since the grant of the patents to me, on the advice of my Japanese patent attorney, to reflect that, in Japan, patents owned by an individual are not taken seriously, I assigned the patents to Chris Coles Holdings Inc., (CCHI), a corporation I wholly own myself and which is based in Washington DC, the capital of the United States.

In 1997 a friend and mentor, Col. Leonard R. Sugerman, a Past President of The Institute of Navigation, introduced me to Dr Oscar, the Assistant Secretary for Research Development and Acquisition for the American Army. I was invited to a meeting September 22nd, 1997 in his office in the Pentagon where Dr Oscar advised me that, yes, they were infringing but that they would ignore me. I was already aware of the development of a variety of military systems that may infringe. Not least because details of a paper submitted to the Department of Defence, describing my further thinking about battlefield Information systems, (published 1991 in the proceedings at a US military conference); were illustrated and published in The Sunday Times, London March 16, 1997 under the headline, Anoraks' apocalypse – How Computers will Rule the Battlefield.

Dr Oscar, (and the Pentagon), thus already knew of my thinking and my patent application as also that my IP could be central to the defence of the nation. One of the primary uses having been publicized by the Pentagon earlier that year. So I ask you to consider that I was invited to that meeting because they believed the IP was valuable?

Having previously spoken and then written a letter dated August 7th, 1997, on that same day, September 22nd, 1997, I also had a meeting with Mr. John Cimko, Divisional Chief, Policy Division, Wireless Telecommunications Bureau, Federal Communications Commission, 2025 M Street NW, Room 7002, Washington DC 20554 at the offices

of The Federal Communications Commission. The meeting was also attended by Mr. Bill Caton, Mr. Daniel Grosh and Won Kim all from the Federal Communication Commission, (FCC) and thus I ask you to consider that it was immediately clear that my patent rights were of great interest to the FCC.

Sub sequentially the FCC auctioned radio spectrum as mandated by Congress. However, the value placed upon this spectrum was enhanced by implying the allocation of spectrum also grants a right of transmission when the FCC knew full well that that is not so where there is infringement of my rights as granted to me by my United States patents.

I believe that research of the record will show that the FCC recognized those rights but decided instead to snub me by refusing to communicate. I was however verbally challenged to find myself an expensive attorney while knowing full well that no attorney will take on a department of government. The basic argument follows the line: "The government has unlimited resources and thus the cost and time factors treat against us".

One cannot fault that argument as it is perfectly reasonable and widely known and understood by all parties. But I believe that the United States government has acted unlawfully and placed itself Ultra Vires.

Thus my question is not frivolous.

The questions I raise strike right at the fulcrum of the rule of the law. I believe that the United States Government, by refusing to uphold the rights of individual holders of intellectual property, granted to the individual by that same government itself, where they themselves are the infringers, has left those rights in a limbo that strikes at the heart of the function of such intellectual property.

I have applied to the Department of Immigration and Naturalization, (INS), for citizenship to be able to work towards the development of my patents inside the United States, but that application has been refused. The INS, a part of the Department of Justice, treats the ownership of United States PCT patents by a foreign national with utter contempt. I wonder why? I have even tried to open a conversation with the United States Department of Justice itself, but again, to no avail. No one will enter into correspondence, presumably to avoid any question of a perception of rights.

The FCC is mandated by Congress to dispense spectrum, but the FCC does not own essential US PCT Patent rights to transmit, (if the transmitter has in combination a camera and a navigation system as described above). Thus for those spectrum license auctions involving the proposed use of a transmitter combined with a camera and a navigation system, (described as 3G, third generation wireless), the FCC must pay a royalty to the US patent owner for the sale by auction of the license (giving an implied license to transmit).

I believe that the record will show that, in attempting to avoid the payment of royalty, the FCC deliberately set out to suppress the further competitive development of what we had described as Video-911; Essentially adding the image from the camera phone to the E911 service. That they set out to prevent competition - both against their E911 proposals and against existing United States industry - That they saw Video-911 as a competitor to be suppressed.

E911 (Enhanced 911) and now well behind the original schedule for delivery, was only ever designed to permit the location of a wireless telephone user to be known by a public service answering point, (PSAP), so that the service would match the standards already long in place for emergency calls from fixed lines where the location could be easily passed on to the PSAP so that appropriate response could be directed to any emergency.

Today, as I had long ago foreseen, the electronic camera in a wireless telephone has become ubiquitous and freely available. The navigation system needed is also a ubiquitous part of these wireless telephones, particularly in Japan. Japan and China recently announced the intent to develop between themselves a 4G wireless telephone. The FCC deliberately left E911 merely providing location to the PSAP when a wireless user is in difficulties when the provision of the image from the camera telephone would have greatly enhanced the service. The consequence is that the United States of America has arguably lost the lead in what is now a major new marketplace; the use of wireless camera phones with a navigation system. By doing everything in their power to prevent my full exploitation of the patents, and thus with the further development of camera telephone location based services; the technological lead in the long term development of the wireless camera phone industry has been handed to other nations who have instead invested eagerly in furthering the technology.

With regard to the Department of Defence, their act of blatantly, (the act of publishing the knowledge in the Sunday Times in 1997 was surely blatant?), disregarding the rights embodied in the intellectual property engendered in my original proposals presented to them in 1991 was in complete disregard for the rules requiring procurement to the highest ethical standards.

I believe that their subsequent statement to me admitting their infringement and yet of intent to ignore my rights was also unlawful.

I now hear that the Department of Commerce has announced a global intellectual property plan whereby the United States government sets out its plans for the protection of intellectual property world wide. That intellectual property is vital to your growth and global competitiveness as a nation. I say that you cannot on the one hand claim to be a leader in such matters and on the other, when it comes to your own infringement, turn your back as a government and say, (to the poor inventor that has been granted patents by yourselves), you will ignore them; particularly, while the United States Government Department of Justice creates such as List 31 to force other countries to shut down dodgy CD manufacturers.

I call that utter hypocrisy!

The government surely cannot ignore their own complicity in their total disregard for the IP rights of a small entity and as such the United States Government should recognise just how far down the road to a lawless state it has slid. It has no regard for the law, particularly competition law, when it chooses and as such, makes anarchy and bedlam the rule, rather than ethical honest dealings with intellectual property right owners and thus opens itself to a charge of being *Ultra Vires*.

Patents were devised as the way to permit someone with a new idea to be able to protect that idea for long enough to be able to establish a stable long term business. The patent was thus able to carry the idea from the inventor into general use through the mechanism of investment of capital to pay for the development of the new process or product. By issuing the patent, the government's intention was to provide enough protection to an inventor so that the new idea had a firm footing from which to grow into a strong business. I must emphasise the bit about growing into a strong business, for this is a long term process that can take decades to achieve.

By this mechanism, the inventor creates a new competitive business, sometimes even, a completely new industry; that in large part serves to control the existing large companies or groups by making it impossible for them to interfere with these developments.

This is fundamental to the competitive marketplace. It is this point which begins to bring this debate into focus. For, without the full support of the issuing government, the patent will be useless and the competitive process breaks down.

Intellectual Property, (IP), such as patents, drives the creation of new jobs and new competitive industry. I argue that the patent law underpinning the creation of new competitive industry is the absolute foundation stone upon which a free society stands; for competition is the fundamental driver for the creation of free markets and greater prosperity. Over the years, as such prosperity took hold, then that success became the driver for governments' world wide setting out many years ago to create new law for the purpose of protecting any such intellectual property.

Intellectual property is protected by governments, who produce law. That is the role of a government; to produce law. We, the citizens of those countries, agree to abide by the law and accept that our actions have a pay back that permits us to live our lives within the framework of the law in peace and without disruption from anyone, including our respective governments. That abiding with the laws enacted by government, is a very simple and basic requirement of citizenship.

That simple statement carries us into our relationship with any government; for to be the font of the law requires that a government must abide with any and all law itself. This is not a negotiable; this is fact, for if any government ever turns away from the rule of the law it enacts, its very legitimacy is destroyed. Governments must abide by the law they enact for the whole concept to work.

What I have found myself through my dealings with government, particularly the government of the United States, is that in fact, that relationship has broken down.

That the government of the United States is quite prepared to ignore their own law, if that will suite their own purposes.

I believe that we have to face the truth of this breakdown and seek a way forward; back to re-establishing the full rule of the law by government itself.

A great part of the problem is that attorneys employed by government today, have lost contact with their ethics. By that, I mean that the high principle engendered by the concept of the rule of law has been usurped. Rather than abide by the rule of the law to the highest ethical standards and accept that sometimes even a great government can have duties engendered by the law it enacts; the principle of unjust, unethical actions designed to usurp the true meaning of the law, rather than strictly abide has gained credence and today, the rule of the law is as a result moot. That governments, by the action of their attorneys, have placed themselves into the position of both being the font of all law while at the same time, refusing to accept the responsibilities engendered by the rule of law.

I believe that makes such governments lawless, Ultra Vires; Law beyond one's legal power and authority.

That if a government makes itself Ultra Vires in one area of the law; it undermines all the law of that government. A Lawless Government as with any other criminal becomes illegitimate and throws away its standing in all areas of the law.

You cannot have government making law on the one hand that it expects all others to abide by when, on the other hand, that same government blatantly refuses to accept the same laws apply to themselves. Yet this is exactly what is happening today and continues.

I thus charge that the United States government has systematically usurped the rule of the law to deny full access to International Treaty rights granted by patents issued to myself.

Considering that the greater part of the wealth of such nations is now the result of the protection effect of IP law against infringement; I ask: Is an Ultra Vires government, (in refusing to accept its own responsibilities to an individual who owns IP, granted by that same government but that that same government are openly infringing), far from gaining a financial advantage against the individual; is, in fact, instead placing the entire foundation for the prosperity of that nation of citizens into dire jeopardy?

The answer must be resounding yes!

Competition begets further development of technology. Suppressing competition begets loss of jobs and technology to countries where the benefit of competition is better recognised.

I believe that when the record is properly investigated, it will be found that again and again the United States government attorneys decided to ignore the rights engendered in the United States Patents granted to me by the government of the United States.

That they knowingly refused to act with the highest ethical standards and were complicit amongst themselves to collectively prevent access to the proper value engendered in the grant of the patents.

Contempt for individual rights comes from a refusal to recognise the rule of law. There are no ethics in lawlessness, for ethics cannot apply to a lawless action. By the same token, you cannot claim sovereignty, (under law), and at one and the same time act without ethics and in any way infringe the law. To be able to claim sovereignty you must also act to the highest ethical standards. The General Services Administration, (GSA), of the United States of America claims that all procurement for the government is at all times “to the highest ethical standards”.

In that case then, procurement must always be to the highest ethical standards and turning your back and saying “sue us” or, “we will ignore you” cannot ever be seen as being “to the highest ethical standards”.

I am told that the government may claim State Secrets privilege. I ask; why would I need to know anything about the secret use put to the intellectual property being used by the government, to obtain my right to royalties? There are a number of points here. An inventor does not need to know anything about the use. All he needs is the financials, the basis for the royalty charge. The matter can be dealt with very easily without any disclosure of any security kind. One only needs to be told that the truthful facts have been looked at by a court of law. I do not need to attend and hear the facts, unless that is, the truth has not been told, or because one of the parties disputes fact. In that case, we have to place ourselves in front of an independent individual with no ties to anyone whom we believe to be totally honest; a judge in a court of law, to get at the truth. I argue that simple act alone is all we need to be able to resolve the debate with regard to what is simply a monetary matter of value.

I can see a large number of independent attorneys suggesting that, without the relevant documents being available, there will be doubt that the truth has been placed before the court. I argue that that matter can be addressed by the court itself. What are we talking about? In my case, that would imply that we cannot trust the government attorneys to tell the truth. But I argue that, if a nation sets out from the outset to create a Department of Justice that stands as a beacon to the entire world of honesty and at all times dealings of the highest ethical standards; then it is an easy matter to devise suitable punishment to suit an attorney that does not hold those high standards.

The Department of Justice must at all times be seen as totally honest and always acting with the highest ethical standards; it is surely in the interest of the government that that be so? Thus we will be able, standing on the steps of government, to feel totally at ease with our government, any government.

Where any act of provision of fact has been made by a government or any part of that government, that information must be provided to the highest ethical standards. The facts must be the truth, the whole truth and nothing but the truth. To do otherwise is to commit an unlawful act. If a government attorney has acted unlawfully; they should be disbarred and, if the relevant department has encouraged that act of unlawful behaviour, it must be seen as damaging the reputation of the whole government and the other individuals involved should be brought to justice, charged and tried in a court of law. Either government sets out to be a font of law and at all times lawful, or, it is not lawful. For a government to be seen as a lawful government, the government attorneys must, absolutely must, act at all times to the highest ethical standards and at all times exercise absolute total honesty.

You cannot be untruthful and, arguably, unlawful and act to the highest ethical standards at one and the same time.

Again, the government may claim Eminent Domain. But the word domain implies some form of property and to own property implies ownership and ownership requires a consideration to pass between the parties for ownership to take place. No one, not even a government can own anything, call it what you will, including intellectual property; an intellectual domain, without consideration, money, passing between the two parties; on the one hand the present owner or owners and on the other the purchaser.

Taking without consideration being agreed between the two parties, is theft, stealing. A government has no mandate to steal anything. Indeed, for the government to remain beyond doubt lawful, it must at all times do everything in its power to see that it and especially its attorneys NEVER act unlawfully.

And this brings me to the core of this debate. A citizen, believing the government was lawful and acting with the highest ethical standards, (after all, that is what the government publicly claims), approaches a department of the government with their intellectual property, perhaps, as I have in the past, via the hands of another employee of that government who will vouch for me.

They hand over information. Why do they do that? They seek support for the further development of the intellectual property. The cynic will say all fool them. I say that the requirement of acting to the highest ethical standards requires that the information is not owned by the government department as no consideration has been agreed or paid. Thus it is incumbent upon the attorneys of that government department to treat with the individual and to the highest ethical standards, and to see that the matter of the treatment of the ownership is correctly and properly managed.

And again, how much more can such an individual contribute? Saying that the individual is not employed by same department and thus has no standing is equally vacuous. If you like the idea so much, what is wrong with the individual? I believe that much is lost by casting the individual out of the system. (We have their idea, get rid of them). Rather than; have they any more?

I am left to wonder - how many government servants have claimed intellectual property that they never ever thought of in the first place? Ruling highest ethical standards also requires that the individual is treated with properly. They may be much more valuable to the nation than any you have at hand. Throwing the thinker out is wasteful and not in any way logical. You only have a very finite number of good thinkers, you need every one of them you can find and harness. And how many other new ideas have they got still unseen? To say, he passed to us the information, he thus gave it, is not sufficient.

If I give you an object I own for you to look at, I do not pass ownership to you in any manner. If you pocket it and walk away, I say you steal it.

How say you?

You say I have to take the deal like it or not. I say that the right not to accept the deal, any deal, is central to the operation of a free society. To repeat an earlier passage; “Whether it is a bond between two individuals; to work together, hunt together, marry each other, or between organizations, even whole countries – each in turn submits to the simple process of one side saying what they believe is in the interest of the other party; and the other agrees to agree or not. Each is free to make any offer, the other is free to accept or reject that offer. The rules are very clear; Caveat Emptor, let the buyer beware.

The moment you accept the deal you have to submit to it. On the other hand, no matter what the deal on offer, no matter how good the price may appear to be, the other party is totally free to refuse the deal. In the free world, that ends the matter. If the offering party wishes to try again, they are free to make a new offer, but what they cannot do is force the issue. Any attempt to force the issue is against the law in any free country. We seem to have forgotten why all these aspects of our free society are there in the first place. They are there to protect the weaker party from an imposed deal.”

I believe that there is a clear perception today, held by the attorneys of the government, that a government department may do as it wishes with an individual’s property that comes its way.

I believe that that is theft and there is no other way to look at it. Consideration was not agreed or paid, no transaction has taken place. No deal accepted. Ownership remains with the individual.

I believe that the Government of the United States must recognise that there is this perception at large and that it is causing great damage to the reputation of the law in the United States. I further believe that it is the responsibility of the lawmakers to look again at this matter and create a set of clear, unambiguous rules of engagement, a framework of ethical rules to the highest standard, that we on the outside can see in place and that those on the inside can see they must abide by.

Without that structure, a level playing field if you like, the actions taking place today stain the reputation of what many of us do sincerely believe to be the finest country on the planet.

I was led to believe that the United States of America wanted individuals like me; but I now believe that the government attorneys will do anything in their power to prevent someone like me prosper.

That, ladies and gentlemen; is feudalism.

It has always been my understanding that the United States was founded upon the realisation that feudalism is a failed concept. That the efforts of the free individual and their intellectual property coupled to capital has made your nation wealthy, powerful and strong. I believe that within the United States government, that lesson has been lost.

Think about that? Why has this come about?

The answer has to be that the practice of law has become totally adversarial. Everyone is the enemy.

In corporate law, yes, the attorney is there to protect the interests of the corporation; but it must be seen that in government, particularly where competition law comes into play, the primary responsibility has to be to encourage competition. The government attorney has a much wider responsibility – the encouragement of a successful nation.

If the government attorney has only a view that their responsibility is to protect the government, then everyone outside the government is an enemy. That the citizen is to be held at bay and controlled; that success is to be trammelled by the idea that they must not interfere with the aiming point of the government. I would argue instead that it is the governments responsibility to do everything it can to encourage the success of any citizen, (or in my case anyone wanting to join your nation as a citizen), in their lawful pursuit of making the most of their particular talents and aspirations.

It is a very real aspect of a feudal society, that those with power will do everything in their power to prevent the success of the ordinary citizen. Why? Easy to answer, merit always shines so brightly.

The great embarrassment of an “old school tie” without merit is to see themselves outshone by a bright shining upstart. In those circumstances, they have every vested interest in the failure of the more successful.

As His Grace The Earl of Clanwilliam once said to me: “Everyone has a vested interest in your failure”. (Private comment made at a UK Department of Transport conference on the subject of the Stonehenge).

I argue that it must be recognised that the greatest responsibility of the government attorney, in any government; is to see that, in the pursuit of lawful gain, those with merit are encouraged to succeed; that by so encouraging, they prevent the establishment of a feudal society and encourage a free and prosperous nation.

The government of the United States of America has granted me patents. Those patents give me rights. I have not sold the ownership of those rights back to the government. No consideration has been offered. I have been told to my face that the government departments will ignore me. In that case, I believe that the actions of the government have been unlawful. That the record will show that the government of the United States of America has, in its dealings with me, disregarded the rule of the law of the United States of America, disregarded the ethical standards naturally engendered by the rule of the law and in so doing has placed the government of the United States of America Ultra Vires.

I also therefore respectfully suggest that the Solicitor General for the government of the United States is thus also Ultra Vires.

I do not have the available resources to pursue this matter as I am denied access to the value of the exploitation of the patents by the United States Government. Neither do I see anywhere upon the patents granted, a requirement under law that, if I am poor, I must sell my patent rights to fund access to the law. In that case, I hereby publicly request that the government of the United States put these matters to right at the earliest opportunity. That until it does so, expeditiously, it should recognise that the very legitimacy of the government of the United States of America is called into question.

Chapter 13

A clear set of rules for the ongoing engagement of government departments when dealing with the issues of the individual inventor

“Kingston’s conviction that intellectual property no longer serves the purposes for which it was originally set up is reflected in many publications arguing for its reform.”

Chapter 1, Page 21

The Inventor

I am an inventor. Not an artist, sculptor, writer, singer or composer. My thoughts confined to paper are not something I can sell by the thousand to an admiring audience. The thrills of discovery are ethereal and ephemeral and not something to hang on a wall, or listen to of a quiet night at home with some friends. My thoughts are; however, the bedrock of a free society that thrives upon the countless goods and services stemming from those dust swirls of momentary idealistic creativity called inventions.

We look into the future, not the past. Have no need for the instant gratification of a wet canvas. We rely on many others for the sublimation of the initial idea into reality. Try imagining creating... anything and not being able to talk to anyone about it. Have an idea that you know in your heart is good and reliable and worthwhile and that you must bounce off another thinker and risk having that idea stolen, without a single thought. Not even a thank you. New, fresh, inventive thought; is extremely fragile.

Copyright does not protect us; is not designed to. The slightest slip between the thought forming in our heads and the office of the government patent office and the idea is gone, lost, forever not your own. Now, realise that, every idea we get costs money. To file for; to pay the attorney to delineate; to travel for sometimes decades with all the costs of a small business yet never finding anyone that will pay that extra mile to see the idea into production.

Never any income, regarded by any banker as a nuisance at best and a malingerer most of the time. Remember, it can be years before we are granted the patent itself. Up to that moment, we have nothing but an idea that “might” be worthwhile developing.

When we at last arrive at the grant of that paper contract called a patent and when all our troubles should be behind us; instead, we now inhabit another even more demanding and dangerous world. Government makes us a part of the industrial might of a nation by granting that patent. And follow that grant by ensuring that we become their slave to a process that demands a regularly increasing payment of maintenance fees, (remember we have no income without exploitation), over its twenty year lifetime.

In that case, surely, government should have a mind to see that these initial seeds of the nation’s future prosperity are protected from the frosts of monopoly and overbearing competition. Instead, we find that government is, on the one hand, completely indifferent to our reality or, on the other, only prepared to sustain us, on a whim, to the smallest extent unless we break our vow, (implicit in the grant of that patent to sustain competition); by walking through the door of an existing competitor.

And just to add insult to injury, they toss their heads in complete indifference to the fact that there is no fully free, free enterprise based, financial marketplace; wherein we should be able to capitalise our new ideas, competitively, against the incumbent industry.

Instead encouraging the short term capitalisation regime of the venture capitalist that only serves to reinforce monopoly through the refusal to entertain investment in the small local business that has an aiming point of long term independence; The utter stupidity that we cannot be permitted to be both free and successful.

The final indignity is to discover the governments’ complicity in keeping the monopoly supplier of yesterday in place rather than accept that thinking has moved on and there is a new game in town. How dare I suggest that I have a better idea? Who is this idiot that thinks beyond their station? We are a Department of Government, how dare they state we are in the wrong? They are talking about an inventor; arguably, the strongest competitor in a competitive society.

Today, I place myself at the feet of the highest court of the planet, the people of the free world; to seek justice, not just for myself, but for inventors everywhere.

It is a travesty that we are both trammelled by government rules for our own actions and at one and the same time distained by that same institution. No one seems to have given any thought to the long term implications of a refusal on the part of government to protect that inventor. We need protecting, have no other financial means of sustaining a normal family life, raising children, building homes, all the things you take for granted.

Imagine please, take a moment to think about this; you will be expected, yes, expected; to work for decades without any income from your efforts. And no, I am not talking about the hardship everyone goes through to gain an education. That phase lasts until our early twenties. No, I am talking about the rest of your working lives.

No one will sustain you. No banker will lend you money for your efforts to secure that piece of paper called a patent. Look back along your career and think what your life would have been like with no income from your primary work? Dig a trench for the foundations of your new home and a lender sees immediately the onward worth of your efforts. Not so the inventor.

Worse still, everyone imagines we will immediately become a millionaire. Surely, there are many examples of such success? The truth is that by far the majority of inventions never see the light of day; are never prototyped, capitalised, or exploited; a veritable wasteland of lost effort, lost lives.

It is an interesting dichotomy that a nation will perceive an inventor sits at the pinnacle of their industrial society, supposedly values their efforts, yet does not recognise any duty to support them.

Try imagining being a Supreme Court Judge, performing all the duties, reading all the papers, transcribing all the thoughts related to that occupation while at the same time, on top of your duties; working for 12 hours a day for a pittance and coming home exhausted to your “proper” work. Have you ever regularly worked a 24 hour day? I have had to do just that, at least once a week, every week for years at a time.

Look around you and think how much your life would change without that income you have received every month without fail since you first qualified. Imagine all those years of work without any financial reward for your efforts. Scorned for being poor by every bank manager you have ever met. No money for golf or flying, often not even for a simple home of your own.

Constantly scrounging help from friends to keep going forward with your ideas. Importantly, the individual inventor cannot go bankrupt to alleviate their finances as any other entrepreneur can and start again. They would lose the rights to their intellectual property the moment they do that. So that option is totally closed off from them. They are thus often forced into the direst financial circumstances with no way out other than to abandon their chosen profession.

That is the life of the individual inventor today.

I have identified in the previous chapter that the indifference of various government departments highlights the need for new thinking. Inventors need to be able to see for themselves that government has in place detailed rules of engagement; that place the creation of competition by invention as the primary aiming point of the legal framework of the government. Inventors need to see the government as their ally not their enemy and by the same token, government needs to recognise that, if they want to promote invention, they cannot be themselves competitors to that process.

You cannot sustain inventive thinking by individuals on the one hand and on the other, imagine that you can own the thoughts that create that inventive thinking. The people are surely free to think and the government's responsibility, nay, duty; is surely to support that essential freedom?

The Draft Rules

Before we look at the draft rules I am proposing it is important to point out that there is an assumption that anyone that has created a patent has, at their respective fingertips, a full knowledge of their legal rights engendered in that patent; a total knowledge of patent law. I believe that is a wrong assumption. Particularly in the case of the individual inventor, the process of grant of a patent in fact leaves the individual

essentially unprotected. The individual inventor is not under any “built in” protection of their rights engendered in the granted patent. The inventor must therefore be able to purchase protection from an attorney. However, as I have already shown, with no income, no funding and no support from the granting government the individual inventor has no means of protection in law.

The government granting the patent does not contract with the inventor to in any way protect. It simply issues a document that the inventor can use as a defence elsewhere; commonly described as a licence to sue. In that case, if the funds to pay an attorney are not immediately available to defend, the patent has no legal value.

Moreover, the patent has no monetary value either. This is confirmed by the fact that there is no formally agreed international structure, rules or method available in any country to my knowledge that permits such worth to be clearly established. No bank anywhere will place any value on any individually owned industrial patent. No poor inventor can borrow a dime from any bank against the grant of a United States Patent. By itself, the patent is worthless.

If any other department of any government issued a contract for the supply of any goods or services, and that contract was sub sequentially broken, the full force of that government’s legal team is immediately brought to bear and the matter is resolved. No attorney takes on a government lawyer for that very reason. The government has unlimited resources and, not to be diminished in thought, owns the whole process of law. Makes and dispenses law; builds the courts, pays the lawyers, commands the complete presence of the law.

What lawyer will invoke the wrath of a government that ultimately pays the bills and can, if needs be, destroy the reputation? Taking any government to law is thus a very risky undertaking for anyone.

These absolutely primary issues are well known but normally dismissed as irrelevant to the normal business of governments only dealing with the largest corporations; the most successful in a nation. I believe that these primary issues must now be addressed as a matter of urgency. Not to so do is to refuse to accept the responsibilities of the primary duty of any government; which is surely to use all its energies to foster a fully competitive industrial society.

I have asked the government of the United States to address these issues as a matter of urgency. My request is in two parts;

1. To address the issue of the use of ethics to the highest standards.
2. To create a clear set of rules for the ongoing engagement of government departments when dealing with the issues of the individual inventor.

I believe that almost all our difficulties revolve around the grant of the contract called an industrial patent. That a quite small change in emphasis that addresses the need to be able to properly control that contract will bring immense benefits in the form of large competitive gains.

The United States Patent Office needs to return to the basic reasoning for the creation of such a government department and to create new rules to take account of the conflicts that arise from the individual ownership of such industrial patents as they deem to so grant. As I have already related in my previous chapter:

“Patents were devised as a way to permit someone with a new idea to be able to protect that idea for long enough to be able to establish a stable long term business. The patent was thus able to carry the idea from the inventor into general use through the mechanism of investment of capital to pay for the development of the new process or product. By issuing the patent, the governments’ intention, surely, was to provide enough protection to an inventor so that the new idea had a firm footing from which to grow into a strong business? I must emphasise the bit about growing into a strong business, for this is a long term process that can take decades to achieve. By this mechanism, the inventor creates a new competitive business that in large part serves to control the existing large companies or groups by making it impossible for them to interfere with these developments.

This is fundamental to the competitive marketplace. It is this point which begins to bring this debate into focus. For, without any non-monetary mechanism to establish the veracity of the contract; the contract is unbankable. The patent will be useless and the competitive process totally breaks down.”

The legal profession will immediately say that an inventor must seek advice, yes, but often that is not made available simply due to a lack of funds. A classic “Catch 22”. No value, no funding. No funding, no legal representation. No legal representation, no value.

And remember, the finances of the inventor can be sufficiently dire that they will not even be able to sustain the ongoing costs of the expenses of the attorney.

It is a given that all large corporations and government departments make a point of ignoring the individual inventor. The grant of an industrial patent to an individual poses no threat to the dominance of those major corporations or departments. Thus, as things stand, the patent granted makes no contribution to the process of competition.

A patent granted to an individual should hold all the power of a government contract; instead, it is, at best, a source of amusement to any competent industrial or government attorney. For these aforesaid reasons, I believe that we need to start with a simple statement which must be attached to any communication, including particularly copies of patents from any granting patent office to the following effect.

The Government is absolutely committed to the establishment of competitive markets for any product or service. To this end and to foster such competition we so command:

Whether you be an individual, small entity, large commercial business or department of any government; be informed and make note. If you have made contact with this patent office for the purpose of discovery of information regarding any patent which may be seen as an infringement of your product or service, either existing or proposed.

Be it known herewith that you have an absolute duty, engendered in the grant of any such patent or patents, to make immediate contact with any and all who may have been so granted such a patent; (a right to prevent the use sale or manufacture of your possibly infringing product or service), with a view to resolving any possible dispute in an amicable manner based upon the use of the highest ethical standards in your treatment of the other party. You cannot use this order as a means to suppress competition.

Your duty is to pay the grantee the royalties implicit to the grant of the patent. If you are the stronger party, those costs of resolution are yours alone. If you choose to ignore these rights so engendered in the granted patents and do not make immediate contact with the grantee to discuss the matters so arising, and thereafter to use your best endeavours to resolve your possible or actual infringement the full force of the granting patent office will be brought to bear and a punitive solution will be summarily imposed.

There will be no extenuating circumstances accepted nor will any order for subsequent review be so granted under any circumstances other than for any possible increase in royalty payment which may be due. This is an upwards only contract which you ignore at your peril.

Further, you may not use this contact order to avoid any competitive pressures for it is deemed that competition is the imperative of the patent process. In all circumstances the rights to royalties will remain with the grantee for the duration of the patent.”

There are further rules needed for the environment outside of the legal process of the grant of a patent. Again; government is charged with creating a fully competitive industrial society. For that reason, no department of government may interfere in any way with that process. I therefore set out herewith a draft set of rules which are entirely based upon the highest ethical standards and serve to throw the responsibility for maintaining that competitive society firmly upon the shoulders of the government, and as you will see, the nation’s savings institutions, the institutional investors.

It is the responsibility of government to foster industrial and commercial competition through the patent grant process. It is hereby deemed to be a criminal act punishable by the full force of the law for any person or persons employed by or for any department of any government, state or national, to ignore the rights granted to any inventor by the patent office of any nation to create any competitive industry or commerce.

It is further deemed to be the responsibility of any such department of government to use all powers at their disposal to foster the creation of competitive industry or commerce through the patent process.

No department of government may in any way suppress competition.

All information passed to any department of government by any individual, small entity or any other form of commercial entity for the purposes of evaluation remains at all times and for all purposes the property of the individual or entity.

No department of government may hold any rights to intellectual property. Any intellectual property created by any department of government employee is deemed to remain the property of the employee as also any royalty income deemed to be payable.

No department of any government may prevent in any way any employee from creating a competitive industry or business from any granted patent to that employee.

Institutional Investment Rules

Now I turn to what are generally described as the savings institutions. This is very simple and again I provide a preamble.

The nation's savings institutions are served with the responsibility to support the government of the nation in its aim to foster a fully competitive industrial society. To this end we believe that only a fully competitive free enterprise based industrial society will support our aims. For such a society to be engendered, we deplore the present investment methods that take control of the entity being invested in from the outset with a view, within a very short timescale of a few years, to selling that so controlled investee on to a larger industrial or commercial business. We believe that process only serves to suppress rather than foster competition and further confines such investment to a very narrow spectrum that does not take proper account of the needs of the full breath of society in general. We therefore rule:

No savings institution, holding the savings capital of the citizens of the nation may pass those savings to any individual or other entity that attempts through any process to prevent the creation of a fully competitive industrial society based upon the concept of free enterprise where the original creator and (often) manager of the business owns the business.

That at all times the investee must remain in complete control of their business post investment and thus the savings institutions may not themselves or their proxies own any controlling interest in their investments.

Therefore all such investment must be at arms length.

Total freedom must be the ultimate aiming point.

All savings institutions are further charged with the responsibility of properly capitalising the granted patents of any inventor whether or not a citizen or from a foreign country where the purpose of that capital injection is the creation of a competitive industry or commercial business within the confines of this nation.

No Savings institution can refuse to so capitalise any potentially viable competitive industry.

Any such savings institution not deemed to have adequately set aside sufficient capital as their equivalent contribution towards the attainment of a fully competitive free enterprise based industrial society may have its license to so continue reviewed.

I believe these simple rules will serve to invigorate the industrial society we all believe is the only viable solution to promote the full benefits of successful citizens at every level of society.

I cannot emphasise enough; at every level of society.

We must stop believing in the idea of investment for the few promoting success only at the top of society and government subsistence handouts for the rest. Only a fully competitive free enterprise based society can succeed; and to achieve that success, everyone must take responsibility and play their part to encourage; those individuals that step forward to try and to succeed, as best they can, within their own communities.

Human competition is the most natural influence
and must be encouraged at every level.

That is surely the governments' greatest responsibility?

Chapter 14

Conclusions, Questions and Answers

Now that we have had the opportunity to look at what went wrong with a feudal mercantile economy we can see that it gave a profit to only one small group, right at the top of the financial food chain. Everyone else within a feudal system must suffer a reduction of prosperity. And that has been born out by the record over the last fifty years.

In time, we will look back at this recent past era and ask how on earth did we think that allowing our savings institutions to remove our prosperity from our communities and play with it exclusively, amongst themselves; would in any way improve our communities prosperity?

A feudal mercantile economy simply makes us slaves.

The great strength of free enterprise based capitalism is that everyone profits, but that their profit comes to them in different ways. The shareholder still gleans profit by dividend, but the employees profit comes from an increase of income and improved working conditions, the suppliers profit comes from an increase in orders, the community profits by the increase of invested capital allowing everyone in the community to prosper, but each in their respective ways, spreading prosperity from the grass roots to the top of the tallest tree while at one and the same time, keeping the overhead costs to the best minimum.

Freedom comes from the investment of equity capital into free markets; which in turn increases the prosperity of everyone so that we all profit and can share the dividends of our combined industry and inventiveness. But no one deeply embedded in a feudal system will give up their control over the majority and as such it is up to us to turn away from feudalism and to construct the institutions, the rules of engagement and the regulatory framework necessary; to permit us to provide our own solutions for our own needs.

We must therefore create what we need for ourselves. No one else will do that for us. For that reason, I call on everyone that can see the way forward to join me in this new adventure.

We really do not have anything to fear but fear itself.

Questions and answers

These are some of the questions that have been raised by one of the members on iTulip.com. For clarity I have slightly edited the answers. If you want to read them in their raw version, please turn to iTulip.com.

Chris, from your web site;

"A fully competitive, free enterprise, open to all, marketplace; designed to supply equity capital to a much wider range of new, privately owned start-ups, new high technology firms and small businesses than at present on terms acceptable to everyone."

What terms would be more acceptable than those currently in place?

Are you talking about a new source of money anyone with a new idea can easily tap?

How is this different than current VC financing?

Let's assume that I have the money you need.

How much money do you require to get started?

What are the terms?

What control do I have once you get the money?

Bob,

I am firmly of the belief that the most fundamental lesson to learn from the last few decades is that, unless the investee is left free and in complete control of their business venture; you will always have a built in tendency to revert to a feudal system. Free enterprise is commonly described as where the manager of the business, owns the business.

The only way to ensure that freedom, (at the first stage), is to rule that the investor can only retain 20% of the equity.

What I am saying is that we have to create completely new savings institutions that will be directed to invest the savings of the local community back into the local community as equity capital under the rules as already described.

The government in turn should create a free marketplace system, throughout the nation, to ensure there is access to working capital at twice the equity investment. i.e. for every 25K equity, there should be 50K working capital at 4% fixed over 25 years.

The current VC only invests under feudal terms where they must have complete control from day one. I call that blatantly anti competitive and the fundamental reason why we have evolved into a feudal mercantile economy.

I have made it quite clear that I am not going to seek funding for any of my ventures via this web site. This multi-part thread has been put up as a debate for the benefit of everyone. However, if you are saying, as others have already, that you wish to look at starting what I have been calling a Capital Spillway Trust in your local community, then yes, join the others and the ongoing debate. I am sure that there is a real market for such a new savings based institution and that this debate will, in time, lead to a complete change of direction, away from a feudal system to free enterprise capitalism. I certainly cannot do that by myself. The terms, the how and whys of the investment of savings into such a new system has to be debated; I will welcome anyone's viewpoint.

If my thinking is correct, what we will see, once we get past the fear factor of a complete change in direction, will be an immense improvement of the local community prosperity.

By involving everyone in keeping their own eye on the new businesses created with their own savings, which we will create in the local communities; a new understanding of the nature of free enterprise will open a new era of freedom and prosperity.

It was why in the first place, if I could get my hands upon the royalties owed to me, I was going to put my money where my mouth was, so to speak, and invest under my rules as set out above to prove my theories.

I like your ideas, but I don't see how they can succeed with the 7 deadly sins lurking; lust, gluttony, greed, sloth, wrath, envy and pride.

How would you proposed that greed, for example, be eliminated or not be allowed to muck things up in your system?

Bob,

You have opened up the debate into the next phase. But to get to an answer, I need to waffle on a bit about what went wrong with the existing savings institutions.

To prevent the individual citizens' loss of savings when invested into what I will describe as business ventures, decades ago laws were promulgated to ensure they were instead all held by "Funds", a central repository, a good example being Fidelity.

Layered upon that concept was the idea to again, to prevent the loss of savings, strict rules were again promulgated to ensure the money was never lost. It all sounded fine and dandy..... except no one considered the effect of taking the prosperity from the individual and placing it all into central repositories - who then discovered - that they were able to make more money by trading the "funds" between themselves, rather than re-investing the savings back into the local communities.

On the face of it this was a win win situation. Except that slowly, the number of prosperous savers reduced as the number of independent businesses reduced as the feudal process took over the system.

Yes, for those who were in good jobs and well paid government jobs, their pensions positively shone... No argument.... except the number of middle class citizens who were prosperous started to reduce, alarmingly.

Slowly but surely, the prosperity of the nation was taken from the local community and passed into the hands of the funds who, year on year proudly announced the ever higher level of the amount of money under their control. That statement is always one of the most prominent PR angles taken by such funds in times past when the markets rose.

At first sight it might appear that I am thus suggesting that it would be a good idea if the funds were all passed back in the hands of the individual. That is not true. It is clear that the larger the fund, the less the overall risk to the individual. So a balance has to be struck.

If we look back to the Industrial Revolution, there was great prosperity spread much wider than anyone appreciated. The UK was well known as a nation of shopkeepers. But each shop was a centre of prosperity for each owner of the shop.

Every child, in every community, could see that hard work made someone prosperous. Someone right there in front of them. Fine house, looked up to in the community, often became leaders of their local community. Profits from the shops were retained in the community and prosperous shopkeepers made individual investments into others surrounding them; spreading the prosperity ever wider.

Today, it is much more profitable for the fund to have all their money, sic! sorry, our savings, invested into a single retail group with many hundreds of shops spread throughout the nation. So in that case, now there is only one set of directors for the group, a few regional managers, and the rest at as low an income as the full group can get away with paying. That is precisely why your children, now clear of university, are working in the local retail warehouse and I am reminded of that wonderful Jib Jab cartoon about the Big Box Mart employee, once a well paid employee, now reduced to sweeping the floors.¹⁷

So we have to change direction. The way I see it, what has happened is that greed, as you call it, has been the mantra for those right at the top of the financial food chain. Every man or woman for themselves, winner takes all.

But that mantra denies the true nature of why we, as a species, have been so successful; it is because we can work together to achieve a common aiming point that each, as an individual, could not attain on their own; a good example being an airliner. There is not a single individual on the planet that could build a Boeing 747 from scratch all by themselves without others lending their skills and labour. Yes, there are some very skilled people capable of most aspects of the manufacture, but they would not live long enough to provide all the man hours required.

So my aiming point is to see as much of the savings as humanly possible, re-invested back into the local communities, rather than held centrally by a "fund" that traded those savings, outside of the local community and between themselves and another such "fund".

It is the inter-institutional trading that lies at the root cause of our overall problem, not greed as such.

Again, it is the gathering of many companies into groups with a single senior management structure via M&A to increase prosperity for the single senior management structure and the funds at the expense of the many spread throughout the rest of the nation that lies at the root cause of the problem, not greed.

It is still going to be, in part, greed that drives an individual within their local community to create a new business to ensure their and their families future success. But this way, they will have to compete against others also after employing the local community and the more investment, the higher the local wages to attract the employees.

What we have today is a system that naturally drives down prosperity for the majority over the long term. Yes, it can be argued that for a while we were more prosperous.....

But will that argument stand the test of time?

So when push comes to shove, all I am saying is that it is not greed that has caused the problem, it is that we did not fully understand the long term consequences of the nature of the system we all had a hand in creating. We allowed a feudal system to propagate. Looking back when all the fuss was about communism, no one noticed that feudalism is just as bad, if not worse. Both systems stifle individual enterprise and take all power into the hands of a small group at overall cost to the majority. The changes needed to bring us back on track to a more prosperous community, where savings are directly re-invested as equity capital into local prosperity, are very simple.

Yes, there are going to be difficulties, particularly while the savings of the communities build up to the point where, instead of the savers relying upon the pension income from the "Fund", they start to rely upon the savings themselves.

Prosperity comes from what you have earned and put to one side for a rainy day as savings. That requires you earn a good living which in turn absolutely relies on the amount of equity capital invested into your local community. As Adam Smith wrote in the Introduction to his 1776 book *The Wealth of Nations*;

“The number of useful and productive labourers, it will hereafter 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.”

So, in a very real sense, I am merely developing new thinking around ideas that have been available for debate for more than two centuries.

"So when push comes to shove, all I am saying is that it is not greed that has caused the problem, it is that we did not fully understand the long term consequences of the nature of the system we all had a hand in creating. We allowed a feudal system to propagate. Looking back when all the fuss was about communism, no one noticed that feudalism is just as bad, if not worse. Both systems stifle individual enterprise and take all power into the hands of a small group at overall cost to the majority."

If greed is not the cause of the problem, are you saying that there is no greed?

What motivates a mortgage broker to sell a loan they know a buyer can't afford - but they sell it anyway?

If a small group can't be trusted with their power, how would you fix that?

Who governs the governors?

Those are very pertinent questions.

No, I am not saying there is no greed. What I am saying is that the overall problem was caused by a lack of understanding about the form of system everyone was using. For example, there are many sales organisations, with by far the majority perfectly honest and very professional. But from time to time, we hear of a sales team that are quite literally indifferent to what one might describe as social mores.

Yes, in large part, that is an aspect of the quality of the management team. But those individuals selling liar loans, for example, were doing so as much because the overall system in place accepted them, as to the fact that they were being sold.

Sort of if you like, you leave the back door to the bank open, you invite criminality. Those liar loans were criminal, but the system should have stopped them in their tracks. So the crime was as much systematic crime as individual crime.

Turning to how we prevent abuse. I have a lot of thoughts about that, but I need a little time to think them through, so it may be a week or so before I can set them out in a sensible manner.

Criminal by what definition?

Description of the documentary called The Corporation;

“The documentary shows the development of the contemporary business corporation, from a legal entity that originated as a government-chartered institution meant to effect specific public functions, to the rise of the modern commercial institution entitled to most of the legal rights of a person.

One theme is its assessment as a "personality", as if it were a human being, effected via the diagnostic criteria in the DSM-IV; Robert Hare, a University of British Columbia psychology professor and a consultant to the FBI, compares the profile of the contemporary profitable business corporation to that of a clinically-diagnosed psychopath.

The documentary concentrates mostly upon North American corporations, especially those of the U.S. The film is in vignettes examining and criticising corporate business practices, to establish parallels, between corporate legal misbehaviour (malfeasance) and the DSM-IV's symptoms of psychopathy, i.e. callous disregard for the feelings of other people, the incapacity to maintain human relationships, reckless disregard for the safety of others, deceitfulness (continual lying to deceive for profit), the incapacity to experience guilt, and the failure to conform to the social norms and respect for the law.”
If corporations operate like psychopaths, as the film claims, how would you propose to change that behavior?

Crikey! Having taken the challenge of describing a new system of investment, I am now challenged to describe the underlying psychology of the indolent corporation.

I shall be honoured to give that a try; especially as it relates to the next stage of the debate. But, as I pointed out in my earlier post, you are going to have to wait for a few days. I intend to toast some ideas before expressing them.

You said; "The majority do not have access to capital.

It must also be argued that these uncapitalised individuals are the very best people in any society. Why?

For the simple reason that they see that it is their own natural imperative to compete as independent individuals in the wider society. They believe in free enterprise. They have accepted the challenge to compete.

The base, grass roots of society is thus starved of capital. If you do not believe me, take a walk through any poor area in, for example but not exclusively, the United States. Today, many at grass roots level see that the only way to gain access to the capital that they need is through being outside of a free society and into illegal trade in the likes of drugs; that the road to success is through unlawful activity rather than through lawful rivalry, free competition.

I believe that lack of access to capital drives lawlessness and there is much lawlessness today."

Here you go;

"Microcredit is the extension of very small loans (microloans) to the unemployed, to poor entrepreneurs and to others living in poverty. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.

Microcredit is a financial innovation that is generally considered to have originated with the Grameen Bank in Bangladesh.[1] In that country, it has successfully enabled extremely impoverished people to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and exit poverty. Due to the success of microcredit, many in the traditional banking industry have begun to realize that these microcredit borrowers should more correctly be categorized as pre-bankable; thus, microcredit is increasingly gaining credibility in the mainstream finance industry, and many traditional large finance organizations are contemplating microcredit projects as a source of future growth, even though almost everyone in larger development organizations discounted the likelihood of success of microcredit when it was begun. The United Nations declared 2005 the International Year of Microcredit."

In a way, I am being a bit unfair here as you in fact put up another example and then edited it out again. But I want to start with the original as it has lessons that are, I believe, already covered by the rules I have proposed.

You put this up:

Reminds me of the 2006 Ophra experiment, where a member of the 'grass root' society was given 100k;

http://www.associatedcontent.com/article/95216/a_homeless_man_blo_ws_100000_of_free.html

One of the intriguing facts about the human race is that most humans find a stable environment they can survive in and stay there. A very good example, if extreme; are people that choose to live within the Arctic Circle. They have found somewhere that, for whatever reason, suits them. Yes, if they simply walked South several hundred miles, they could live in a much better climate. But they choose not to. Why?

I expect there must be several reference books written on this subject, but as I see it, everyone has to find a way forward that suits them as individuals. If you find a space that allows you to survive without

outside influence, you hold on to it. So the poor man who lives on the streets is there because they like to live that way. I came across this when building my parking lot in the City of Salisbury.

One individual who passed by every day I discovered slept in the old Cattle Market building in the pig pens. It took me two years to hold him in a conversation of more than a few moments of two or more sentences. His problem was acute shyness. I tried to get him to walk into the local social services and simply say: "I am homeless, please find me somewhere to live". Upon which, they would have had, by law, without any further hassle, to provide him with a home of his own, but try as hard as I could, he would not do that. I tried to get the local Social Services people to help him, but they were not prepared to do anything either. Their argument was they had enough to contend with without trying to change the way of life of someone that would not change. Before I leave the subject, he is clean, healthy, does not drink, yes his clothes are threadbare, but otherwise, he is as normal looking as anyone.

What I am doing is setting out a system for those that WANT to change. Have a desire to bring benefits to their local community via the creation of jobs which stem from their own perceptions of a new product or process that they believe there is a market waiting to sell into.

They cannot do that without creating employment.

The primary trigger is access to a TAX record number for an employee. By the same token, they must have a local accountant that has done no more than pass their business plan as REASONABLE. The accountant is not expected to make any forecast as to whether or not they will succeed and cannot argue against any form of competition against any existing company. Again, to be able to form their new business, they will need to be a customer of a local attorney or solicitor. So right from the outset, the new rules bring professional oversight into the process of local job creation.

Micro loans work in their very specific environment where at all times; the recipients of the loans do not compete with higher scale business. I am not, nor do I have any interest in becoming; a micro loan business. I am very specifically aligned to the concept of the creation of a capital based society where the desire is to create employment in your local community through the capital investment of the local community's savings.

But of one thing we can say; micro loans have demonstrated that a concept that would otherwise be prevented from starting because others would say, from the outset, it would not work, instead demonstrates that no one can accurately predict what will and will not work without first trying it out.

Success comes in too many variations to be accurately predictable.

Before I turn to answer the question about the criminality, this turned up on BBC Radio 4 Point of View by Katherine Whitehorn. I believe this is as good as it gets when we start to look at why the present system is so dysfunctional. I give a link to the text.¹⁸

"What has become completely irrelevant is any idea of scale based on us human beings."

"The question of size is not just about organisational efficiency. It also affects what motivates people to do what they do."

"And in a globalised world, it tends to be the only way - that's the trouble. In the City there used to be such a thing as shame, but that was before it all went worldwide."

In Edith Wharton's *The Age of Innocence*, set in mid 19th Century New York, the banker Julius indulges in some shady business - and no-one will speak to him at the opera. Socially, he is ruined. There's nothing like that now: the financial world, like so much else, is just too big. Who, in our world, is going to make even suspected fraudsters like Madoff or Stanford feel ostracised and despised?"

Criminality?

What is wrong with a system design that seems to promote criminality?

We need to recognise that there were some alarming effects caused by simply placing all that surplus prosperity entirely into the hands of a very small number, (relative to the size of the general population), of financial institutions. The actual number of individuals with PRIMARY (institutional) responsibility for the direct investment of savings, as new, invested equity capital; back into the nation must now run to perhaps no

more than twenty individuals out of an Anglo Saxon population of some three hundred million citizens. That is one in fifteen million. And then, remember, that was for investment above a median of say, \$100 million and below that level – NOTHING.

No, I was not talking about Venture Capital, (the recipients of the odd \$100 million), where the number perhaps runs to a couple of hundred, I deliberately used the word PRIMARY, that is, within the main financial institutions. By far the majority at that level are trained from the bottom up to NEVER risk the capital in direct investment and to always act within a very strict set of rules set out by LAW.

Again, of the twenty or so major institutions world wide, I will be very surprised if there is more than a single individual in any one of them that has a primary role to ensure equity investment of any sort reaches the grass roots of society. Indeed, I suspect I am stretching a point in suggesting ANYONE is involved.

The primary unseen problem is that once you create a system that takes all responsibility for the direct investment of your savings out of the hands of the general population, and then does not provide any function within that system; no one, outside of a chosen few - has access to capital.

Remember, right at the very start of this book I showed that The Times, London, Paper of Record for the United Kingdom no less; asked the question:

“Where?”

Over the years a number of things intrigued me and a good example is hearing that banks frequently move their managers around to suppress any possible tendency to misuse customers’ money.... Why?

Goodness knows they of all people have no reason not to be able to get their hands on money for investment. After all, they are right at the heart of the money industry. Yet a small minority are inclined to pilfer. Why? I believe it is simply they are in exactly the same situation as everybody else; they cannot get their hands on investment either. There they are, right at the hub and cannot; because there is no system in place that allows them access to the capital they need to do....whatever.

I will guarantee, someone takes all the water of the planet and holds it behind a series of dams where only a tiny proportion of the nation can have access to the water, criminality will take hold and people will use any and every means at their disposal to get their hands on it.

THAT is your problem. It is not that the general population is inherently criminal; it is simply that they are being prevented from gaining access to the primary input to free enterprise capitalism, capital.

Capital to free enterprise is like water for life, you cannot live as normal human beings without water, and you cannot create new employment without capital.

You turn on a tap, (faucet), for water and think nothing of it. Now imagine that you live in a population of fifteen million and there is only one source of any water at all and they do not like the idea of someone as small and insignificant as you getting at ANY.

I will bet my right arm, you will become a criminal overnight.

You will also find that with a large population surrounding you that the variation of ideas as to how to get at that water will astound you.

Humans have advanced to where they are today as much because they have an inbuilt capacity to take on a challenge and find an answer.

We do not have any accepted mechanism to take our savings, of the local community, back as equity capital investment, into the local community, which in turn will permit the free expression of the honest free enterprise aspirations; of the local community.

Instead we let them make us slaves.

We all live in a supposedly capitalist system yet we have no access to capital and all lending money to people does is make us all slaves to debt.

Please, everyone, think about that.

Chapter 15

The Four Primary Rules of Capitalism

To create a true free market, capital based, local economy, with as much competition between the many suppliers to the local economy as possible; only requires we accept four primary rules:

1. Only the job creator makes the decision to create a new job
2. They receive adequate Equity Capital by abiding to strict, but open rules that leave them in complete control of their new business.
3. Local savings are invested, as equity capital, back into the local community to provide the required capital to create the new jobs.
4. All transactions are made to the rules of a free market.

It really is as simple as that.

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