



# *The* Wonder Springs Chronicle

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## The Wonder Springs Chronicle

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## The War on Small

### **War – What is it good for? Absolutely nothing!**

So goes the first line of the 1969 song by Norman Whitfield and Barrett Strong and released by Motown first by the Temptations and then by Edwin Starr in 1970. The edgy Starr rendition is what we are most familiar, the prior Temptations recording is somewhat more refined if a true war protest song can ever be refined. War was also recorded by Bruce Springsteen in the 1980s. All three versions are available on iTunes.

Vietnam was called a war, so was Iraq, and Afghanistan. Less we forget, well, actually we want to forget, there still is the War on Terror, refocused by the self proclaimed more civilized Obama Administration into some security or insecurity measures against a few people who don't agree with American values.

Have you ever heard of the War on Small? Of course the War on Small begs the question small what, or who. Yep! All of the above, but for the purposes of

this week's article we will try to focus upon small enterprise.

Did you miss the news on President Obama's small business initiative sometime Monday? By Tuesday it was not anywhere to be found on the leading news feeds? The Wall Street Journal's weekly Small Business Update email had one article that is worth reading. Basically it says that in the diverse small business universe, again the President was long on hyperbole and short on substance. The only meaningful content comes only to the small portion of small businesses that use SBA loan guarantees.

Yippy Skippy!

America is a big country; it takes up a whole continent. Of course there are two other countries that make up the North American mainland, but they really don't count to a real American. After all Canada only supplies us some timber, oil, and a few hockey players. From



Mexico we get illegal aliens, illegal drugs, and fresh vegetables in the winter. Canadians and Mexicans truly grasp how big, big Americans think we really are. They for some reason just don't share our enthusiasms for our bigness. I suppose similar statements could be assumed for citizens from the rest of the world.

The United States considers bigness as evolutionary progress. We now hear that in America's Big Capitalist cultures, some companies are now "too big to fail." Hence with a renewed radical activist Big Government, "we will do what is necessary to maintain the financial markets." In that, we are supposed to find reinsurance that dead reinsurance derivatives will be resurrected. How will that be achieved? With Big Money Debt. That really is not capitalism, nor a road to socialism, nor even a trail to communism. That is really a freeway to Big Fascism.

So let us look at the War on Small from the creation date of "War! What is it good for? Absolutely Nothing."

This whole negative war thing in that era got its hormones from not only the Vietnam War, but also it was coupled with President Johnson's "War on Poverty." Here we see the beginnings of a doctrine that the Bush Administration would use some three plus decades later. That would be to fight a shooting war while requiring little or no sacrifice on the home front. At that time America was rich, lender to the world.

As we mentioned last week a new debt seed was planted when President Nixon in August 1971 imposed wage and price controls and closed the gold window eliminating the convertibility of dollars into gold. After Nixon's forced voluntary resignation he was replaced by Gerald Ford. Ford might be considered one of the nicest Presidents in American history. However, continued fallout from the Tricky Dick years allowed for the election of then Georgia Governor Jimmy Carter.

Carter never seemed to acknowledge the reality of evil. That has not changed even to this day. To some extent this stems from the belief that all people are basically good, and bad people can be made better and eventually good, by the application of loving human reasoning. That of

course denies the reality of sin, and specifically the Reformation doctrine of total human depravity.

Except for some marginal tax cuts by JFK, income taxes in America during these times were huge compared to present standards. As a consequence there really was a growth industry in tax dodges and investment schemes. Taxable income was burnt toast to the individual, or to the corporation, hence investment risk was redefined, to basically find some opportunity so that you didn't have to give your hard earned money to the government. So we see risky startups such as Microsoft, Apple, Intel, Cisco Systems, and many other modern economic pillars receiving substantial equity funding at this time.

Now for an important question! Name one well known major high intellectual property company that as come to prominence since that high marginal tax era, or more precisely during the Reagan Revolution to the present?

My conversation in last week's article with the CEO of a Vancouver Stock Exchange Brokerage House centered on flight money, most of it from European socialist countries. My whole reason for going to Canada to look for investment funds to begin with, was because the only early round equity capital available in the Reagan years was for computer centered hi tech ventures centered in Silicon Valley. Even with the success of Microsoft in the Puget Sound region, most of that local capital was quickly absorbed in related spin offs from new Microsoft millionaires or Microsoft itself. The wisdom of all these euphoric investments materialized in the Dot Com bust in the early 1990s.

To work through the Canadian stock listing reports and requirements, I needed 100,000 to launch my American Dream in which I had invested my small accumulated wealth. I found one party that said he had the capital and said he was interested in investing. However, since this work basically cost me my marriage, and we got along quite well, and still do, especially regarding money and its applications, I just didn't feel comfortable with this guy, so I shut down the company, leaving it to the LORD to provide funds, or a reason to pursue it at sometime in the future. Little did I know I was embarking on a pilgrimage that I could not begin to imagine.

Ronald Reagan is worshiped for steep tax cuts to spur big investment and those big investment profits would then trickle down to those who could not invest. As it was said then, and in the Bush Administration, a big rising tide floats all boats. But what the new lower marginal tax rates did was shoot a broadside at any company with intellectual property trying to raise early rounds of financing. Those rules for the most are still in place. Those rules greatly hamper the future the innovation required to create a new market based system. Instead they reward old dinosaurs or terminally ill cancerous behemoths, just presently aided by unheard of big government bailouts and welfare.

So until this big rigged system evaporated your retirement wealth, you were highly encouraged to invest in Wall Street, to have any hope of some sense of retirement security. These 401Ks, IRAs, and other investments were tax sheltered, but were governmentally regulated because of their tax deferred status.

For most people there is a limit to the stuff they deem necessary to accumulate. Since you now had the ability to keep more of the money you earned you could invest "safely" in Wall Street big business common stock. All you needed to do was find some stock you want to invest in, either through some sort of research, advice from a commissioned professional, or even one of your church, or drinking buddies. To invest today all you need to invest or trade these stocks are guts and a piece of plastic, debit or credit. Risk there are no risks, the Federal Securities and Exchange commission regulates public companies, just like Enron, WorldCom, and the current list is too long and complex to list. Now a sleazy Brooklyn Bridge investment does not look all that unusual.

As of last week Bill Gates regained his status as the world's richest human. Did he pay anything anywhere near today's 17 close for Microsoft? Not on your life. He got his stock as a reward for being one of the founders of the company, and over time through various options and other incentives he ended up with billions.

Remember when Microsoft was founded, it was nice to have a good potential product and

a relatively prosperous father to get a tangible PC operating system really operating. But back then marginal tax rates were such that there was not all that much risk investing in some college dropout with a great idea. If it failed you could write off the loss on your income tax, if you didn't invest, the government would flat out take the money up front.

So sometime Microsoft had to go out and raise some real money to take this idea and make it the dominant operating system of all personal computers and spin off devices. So Microsoft prepared some sort of a prospectus for potential investors.

Back then as pretty much now, on the prospectus title page or very shortly there after, was a required statement stating that Microsoft was risky and the chance of you ever getting any return on this initial investment was completely impossible. That impossibility was stated in many different ways. Nothing was allowed to state that a thousand dollars invested in Microsoft at that time could ever make you a millionaire or more ?

If Microsoft was a typical enterprise, early on you could not advertise for investors, and you could not even offer stock to Bill's uncle Harry. While the terms vary with the states, Uncle Harry had to be both a qualified and a sophisticated investor and sign forms stating that fact, before Bill could even give him the sure money losing Microsoft prospectus.

To be a qualified investor Harry already had to be rich enough so that he was willing to sign a paper that he had sufficient net worth so that his investment in Microsoft would not make a dent in his wealth. Furthermore Harry had to sign another paper stating, the he was also sophisticated in the fact he did these types of risky investments all the time and was aware of all the risks associated with these risky investments and knew full well that it was a sure thing that he would probably lose his investment. If Harry didn't meet these criteria he could still invest, but you could only have a limited number of these non qualified and non sophisticated investors, normally 25 100 depending upon the program. Thereby raising a 1,000,000 becomes virtually impossible.

The point being, why would anyone invest in a modern Reagan Revolution intellectual property

company? Even if you thought it might be the next Microsoft, there is no means for virtually all small businesses now to get the early equity funding they need to become going concerns.

What is the major cause of failure in small businesses? Inadequate capitalization. Once you tap out your retirement, your home equity, your uncle Harry, all your other investments, you run out of gas. That is what happened with my gold mining equipment company, even though I remain convinced that it could significantly alter precious metals mining and refining, by emphasizing small commercial mines instead of current huge environmental mining catastrophes.

President Obama seems set on raising income taxes on all qualified investors. The reason they are not now sophisticated is until recently Wall Street investment opportunities had made these early venture deals not worth their time. That will change quite rapidly, because capitalists have a problem of paying taxes to good governments, they become quite ill when they consider a government socialist, even if that government says that is not the case. If it looks socialist, smells socialist, taxes socialist, words, just words, are not going to change true the capitalist's perception.

There is another way around this however, and that is to make these early rounds of small business investments free from capital gains taxes, for the original investors. Candidate Obama talked something about that; there was some pre spin along those lines before the Monday loan announcement. Maybe, it was just too complicated to figure out what that would mean to the economy at this state, but I would venture it would make a more significant contribution to America's current and future economic growth than all the bailouts and governmental spending programs that now President Obama promised those who believed the change he said they could believe in.

Still another way to do this, along with the subscribed investment, would be to issue additional shares as free investment incentives, which would be equal to the potential capital gains tax rate, that would take the government completely out of this means of wealth

creation. That combined with some small business accountability and other means of community development would make small the winner of the war with big, and the people the winner over the bureaucracy.

Then instead of, "War! What is it Good For? Absolutely Nothing." would change into it is good for, "My reality for a sound and secure financial future."

Audacity of Change requires an object for that hope. That hope should be in energetically sound and sustainable small business vitality, not continuing to whine and prop up a Wall Street system "too big to fail," but too lethargic to succeed and prosper in this new economic order. The War on Small will be eventually lost by the Big. Don't just take my word for it, the Bible states in Revelation 18: 4 13:

*And I heard another voice from heaven saying, "Come out of her, my people, lest you share in her sins, and lest you receive of her plagues. For her sins have reached to heaven, and God has remembered her iniquities. Render to her just as she rendered to you, and repay her double according to her works; in the cup which she has mixed, mix double for her. In the measure that she glorified herself and lived luxuriously, in the same measure give her torment and sorrow; for she says in her heart, "I sit as queen, and am no widow, and will not see sorrow." Therefore her plagues will come in one day - death and mourning and famine. And she will be utterly burned with fire, for strong is the Lord God who judges her.*

*"The kings of the earth who committed fornication and lived luxuriously with her will weep and lament for her, when they see the smoke of her burning, standing at a distance for fear of her torment, saying, "Alas, alas, that great city Babylon, that mighty city! For in one hour your judgment has come."*

*"And the merchants of the earth will weep and mourn over her, for no one buys their merchandise anymore: merchandise of gold and silver, precious stones and pearls, fine linen and purple, silk and scarlet, every kind of citron wood, every kind of object of ivory, every kind of object of most precious wood, bronze, iron, and marble; and cinnamon and incense, fragrant oil and frankincense, wine and oil, fine flour and wheat, cattle and sheep, horses and chariots, and bodies and souls of men.*