The Innovation Society

Financial Investment Solutions to Build Economic Value, Ethical Principles, and New Regulatory Language for Policy Providers to Enhance Small Business Creation in the New American Dream

By Mike Dewing

Today’s economic performance is conflicting with our Constitutional values. This argument demonstrates how discrimination up to and including the middleclass is stagnating our ability to innovate. Solutions are presented for devising an economic generator. Using tax deferment funds channeled from monopoly entities, implementing base Congressional tax spending dollars, and changing new line equity opportunities from investors into liquidity hedging accounts will form a new financial policy initiative for regulators. These tools will show how to utilize the Federal Reserve systems of asset management. This research paper will also suggest the creation of a national seed capital depository hedge and identify how to grow a new trust crop formation for public sector investments for small business planning and loan access. Additionally, these processes will implement new strategies to protect trade secrets, copyrights, and patents. Small business generation through newly conceived planning certifications are part of a larger context for how to inspire a nation to take risks with innovation. Examining presidential policies and how they tie into the mainframe of investment banking and economic strategy will illuminate the path forward from the last financial crisis. Societies are adversely affected by the exponential accumulation of wealth in a micro-percentage of class and separation. This paper will attempt to propose a resolution to this problem, which is referred to as the Program.

The Program

The proposed Program will provide a better functioning economy and create a system for investment that enables our innovation cycle. Accounting principles can be used to generate a revenue stream for the national balance sheet. Giving earnings a tax incentive for those involved in the Program will
engender a better system of monetary function by a continual infusion of liquid cash into the *New America Fund*. The *Program* will operate under the accounting principles of the Federal Reserve, have oversight from the U.S. Supreme Court, and use Congressional policy formation tools. Innovation creation is central to how policy can be formulated with consideration given to fiscal spending, monetary economic theories, and public programs that encourage continuing education. It is time to address contract formation strategy on a national scale. Scaled markets will help generate small business development. New investment tool strategies can secure the liquidity of earnings. Banking experts can change their process for investment strategy.

**Introduction**

Collective societal concepts that seek to control each other through money has resulted in the quest for profit as the corporate American dream. It’s time for a new approach in the way we understand the tool of power and its influence in the world. The tool of power can be defined through both its use of human capital and money. To grow a system of power to better engage citizens through policy is a function of good governance. Continuing to endorse policies of greed will not achieve this goal. Creating policies that encourage and build systems focused on long-term relationships that support and compliment partners will energize innovation. Using a model for the incubation of ideas for small businesses will help inspire communities emerging in the creative class and will grow a new middle class.

America’s sense of value needs an update. Americans need to develop a sustainable tool to encourage and nurture that spark of innovation. With statecraft, a stable, growing economy will be feasible. The *Program* requires the creation of a new investment exchange, using a liquidity accounting infrastructure as the beginning framework for the generator model prototype. The prototype will be fueled by tax dollars, increased by bond investment, and secured by interest rates on Treasury notes. Our current reality indicates a separation of classes, and many times the differences are exacerbated by policy agendas, created by controlling interests of the parties benefitting from the policy differences. There is no more reasonable doubt that our system is failing. America needs solutions.
Needs v. Wants

Are people confused? It’s a possibility. Do we need what we want? We certainly want what we need: clean air, water, healthy nutritional foods, shelter, and some physical activities. Societies across time have been encouraged to build a community and a sense of values. When those needs were not met by the leadership or controlling powers at the time, wants and desire became dominant. One might call it a revolution of “innovation.” Our founders sought independence. Did they find it? Have we? Americans seem to be particularly adept at transforming communities to meet the needs of that community. Today, do we want more? No, not want more; we need more. We need sensible leadership for our economic, financial, business, and health systems, that is based upon the rule of law. However, in the quest for principled democracy, we need Representatives that exhibit vigilance, sacrifice, forgiveness, and compassion in order to build values in our systems. We need an operating policy to generate and preserve a middleclass by using small business creation.

“We the People of the United States, in order to form a more perfect Union, establish justice, insure domestic Tranquility, provide for the common defense, promote the general welfare, and secure the Blessings of Liberty to ourselves, and our posterity, do ordain and establish this Constitution for the United States of America.”

The values expressed in our Constitution’s Preamble form the perfect basis for developing an effective system of governance.

Hysterical Precedent

The 2008 financial crisis served as a wake-up call for many to re-evaluate our current financial regulatory systems. These systems seem to be repeating errors made leading up to the 2008 financial crisis. Consider the following,

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“On Aug. 9, 2007, a French bank froze three funds exposed to U.S. subprime mortgages, setting in motion a chain of events that would culminate in the collapse of the housing bubble, the bankruptcy of Lehman Brothers and a financial system teetering on the brink. A little more than six weeks before BNP Paribas SA shuttered its funds, Bear Stearns extended $3.2 billion in secured loans to bail out one of its hedge funds, portending the ripple of credit write downs to come. Now, stocks are once again sprinting to record highs, U.S. bank profits are swelling, and yield-hungry investors are plowing money into risky assets and trades not seen since the apex of the credit bubble. That comes despite a bevy of risks, from high valuations to U.S. rate hikes and geopolitical clashes. If U.S. credit spreads stay put or grind lower, the spreads that local markets offer will look attractive. This leaves the asset class vulnerable to an air pocket if foreign investors crowd the exits like we saw in the crisis.”

Let’s take time to consider these illuminating behaviors cycling in the markets again.

Consideration

Part of the problem is government programs and legislation incentivizing risky behavior in the market. This behavior jeopardizes the American economy and stifles the generation of stable markets. “What or who caused the financial crisis of 2008-09? It was securitization. Or greed. Or deregulation. Or any number of other things that, truth be told, probably did play a role in the unusually severe economic downturn.”

Participating in the regulation of the

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financial system was the Office of the Comptroller of the Currency, the Federal Reserve, the Office of Thrift Supervision, the Securities and Exchange Commission, the Federal Savings and Loan Insurance Corporation, and state regulatory agencies. Apparently, according to Maxwell, the FDIC was excluded from reviewing and regulating the financial institutions between 1993 and 2004 because of infighting among the regulators.⁴

“Economic ideology. As the 1970s and '80s progressed, a growing cohort of economists began proselytizing about the omniscience of unrestrained free markets. This talk fueled the deregulatory fervor coursing through the economy at the time, and it led to the belief that, among other things, there should be no regulatory body overseeing credit default swaps.”⁵

Throughout the 1980s, a tense alliance was formed between politicians and bankers. “By conditioning the approval of bank mergers on the Community Reinvestment Act, politicians from both sides of the aisle have effectively blackmailed banks into providing loans to uncreditworthy borrowers. While banks and institutional investors absorbed the risks, politicians trumpeted their role in expanding the American dream of homeownership.”⁶ At the same time, global financial markets were grappling with stressed and ineffective international monetary systems, caused in part by trade imbalances. As an example, when China chose to keep their currencies depressed in order to acquire U.S. dollars cheaply, the result was a substantial U.S. dollar reserve within the Chinese system.⁷ Then, those dollars were applied to acquiring debt instruments within the U.S.

**Presidential Decisions**

According to the Time website, “President Bill Clinton's tenure was characterized by economic prosperity and financial deregulation, which in

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⁴ Id.
⁵ Id.
⁶ Id.
⁷ Id.
many ways set the stage for the excesses of recent years. Among his biggest strokes of free-wheeling capitalism was the Gramm-Leach-Bliley Act, which repealed the Glass-Steagall Act, a cornerstone of Depression-era regulation. He also signed the Commodity Futures Modernization Act, which exempted credit-default swaps from regulation.8 There were also changes made to the Community Reinvestment Act, which some suggest pressured banks to extend home mortgages to low-income neighborhoods. Though some suggest these statutory changes led to the 2008 financial crisis, others disagree. But it is obvious that those changes led to a more permissive lending system.9

One of the effects of The Glass-Steagall Act was to separate commercial banking from investment banking. And out of this Act, the Federal Deposit Insurance Corporation (FDIC) emerged. The public policy purpose behind the separation of bank functions was to enable a more effective use of bank assets, to create required protocols for interbank transactions, and to limit the banking tendency to invest in high risk investments.10 Julia Maues acknowledged the positive effects of the Glass-Steagall Act, including the value of deposit insurance which she described in this way, “Deposit insurance is still viewed as a great success, although the problem of moral hazard and adverse selection came up again during banking failures of the 1980s. In response, Congress passed legislation that strengthened capital requirements and required banks with less capital to close.”11 Obviously, someone forgot to send the memo?

In the late 1990s and early 2000s, there were serious battles fought over the deregulation of financial derivatives as represented by the Commodity Futures

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9 Id.
11 Id.
Modernization Act. At the end of 1999, “the President’s Working Group on Financial Markets released a report calling for “no regulations” of derivatives and swaps and began crafting a program to make that possible.” Eventually, Congress exempted swaps and derivatives from regulation. According to Maues, hidden within the bill was an exemption for energy derivative trading, known as the “Enron loophole” which eventually led to Enron’s debilitating corporate corruption. The consensus, even from those who participated in passing the Commodity Futures Modernization Act is that it was a mistake that has been very costly.

We also have the historical experience of deregulation in the Bush White House. The Bush theory was that even the federal regulatory agencies needed to practice deregulation, even of banks and mortgage brokers. In fairness, President Bush did, “push early on for tighter controls over Fannie Mae and Freddie Mac, but he failed to move Congress. After the Enron scandal, Bush backed and signed the aggressively regulatory Sarbanes-Oxley Act.”

But of course, the meltdown happened during the Bush presidency.

The Ethics Key

When I think of how to unlock and insert ethics into the heart of American interests, I imagine a world on the moral line between profit and ethics that is currently torn. But the future can be much different. We can have both a

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13 Id.
15 Id.
sustainable system for creating innovations used in our business models, with our sense of true value, and merge the lines to create financial and societal justice. A mindset of balance and vision is required, with collaboration among investment partners from the U.S. Treasury to the global investment market. Building those relationships holds the key to the future, where the constitution represents our values. The kind of values that touch lives, because we have determined that life is important. Life is made up of risk and reward. For a society to grow and function in the evolutionary process, new knowledge must emerge from somewhere. So, the creation of a simple formula to drive innovation, expand investment opportunities for our citizens, create partnerships, pass legislation, build dreams, and prosper in our democracy, seems reasonable.

American greatness is democracy. It requires us to embrace the value of freedom and good will in man. We hold it in our hearts, here in the New America, land of the future. We express it in our work, in our joy, and tears of happiness, as we hold each other to sustain our values, to enable innovation, and profit from our effort to maintain freedom. As capitalists, we get joy from money. It thrills us to no end, but it must be shared and opportunities made available to all. Can we help others find their Joy, while building a better value system for financial policy in this country? Certainly, we can, and we will, the moment we invest in the dream, the New America Dream. It’s profound and complex. It will affect global GDP and help other nations to inspire their own dreams. It’s a function of the economy, financial investment, ethical business behavior, administrative policy, jurisprudence, and market creation, built and engineered by a sustainable innovation generator accessible to all American citizens. It will require monopoly assets to prime the pump and private investment to fuel the system for the long-term, which includes a visit to the fiscal policies of this nation and the creation of a “Master Class” in Return On Investment (ROI) for governing officials, world investors, and the banking sector. The creation of the mechanism will require finely tuned equations, contracts, and training in how to correctly, and ethically, place innovation on the balance sheet of New America, which will become the Financial Investment Institution of the World.

The hottest resource in the world today is mental acuity. It is exactly where
the ideas of the future are born, and it starts with family, in a community. Human characteristics must be considered, the need for family, for social attachment. That requires identification of values and principles, and those things that motivate an evolving creative class of technological entrepreneurs, engineers, and artisans. Furthermore, adaptation to cultural perceptions is key to making necessary course corrections if we are to work with our partners in global trade and commerce which will play a huge role in the economies of currency exchange. Connectivity is important to our mutual survival, especially in this new tech age where we are all experiencing the need for a way to communicate ideas and information.

The new mechanism starts with a more cohesive banking strategy related to monetary policy. Then gives attention to public policies that help shape the social utility in how a working class of millions can be educated and shown the path to innovation. Providing access to loans is next, with appropriate evaluations of risk and valuation for proper business planning, and the training to enable success. Administrative law should enable and attract those who would like to pursue a business dream that can be fulfilled in the New America, land of investment opportunity. Finally, the new mechanism should equip the nation with the necessary tools to engineer a sustainable process of renewable source funding through ROI profits and taxation.

The financial markets will need to counter-balance the extraction of monopolies by giving a sourcing strategy to large corporations as a tax deferment in depository hedging. There are no penalties. The purpose is to allow tax payers to use tax payments to sponsor new innovations that will expand business platforms. Major players in the markets will have growth, but in an entirely new way. Other sources of the depository hedge that will provide seed money include the U.S. Treasury and those wealthy Americans on Forbes 500, with an offer of first choice in equity share contracts. Source bonds from the Treasury will stabilize reserves, create investor channels, and function as a predictor for interest rate computations. Companies over the margin with monopoly market shares, will be part of the national community in contributing and helping operate a new investment bank depository system designed to grow incubator training models, innovative small business concepts, and sustain a healthy growth in economic competition.
It’s economic reform nationally scaled, on a global platform, and it’s ethical and purposeful. The mechanism will be supported by voters, tax payers below the margin, and above the margin, because all will have a chance to innovate in the system through contracts. This plan is good for our citizens, good for business development, good for our nation, and especially great for Democracy. Many can admit they want small business in this country, because it allows for a better functioning society. Business leadership can also affect international relations, by showing a higher plane of cooperation among citizens. Government regulation of financial valuation functions, like when banks purchase treasury bonds, puts the tax dollars back into play. Only now, the “special interests” everyone will be talking about, will be how our regulators can “cover that interest rate” by appropriate investments in the American Democratic Republic; the New America!

Banking may be a missed step in our democracy. It has revealed the nature of humans, the lust for power acquired through profit, and how ethics became the ugly duckling. Emotional to be sure, our Wall Street partners now have a sense of ethics that is subservient to money utility or what money can do for us. Many people have great ideas for a better functioning society, but if we are to acquire that better functioning society, we must change our investment behavior and deliver value through the innovation channels in the New America. Individually, many have ceased to value human capital. It has been replaced with a sense of virtual greed, probably due to survival instincts and ignorance of how the system works. Reversing that process will require a grand gesture, one that requires care, nobility of regulation, and an emerging consensus in this country to walk together. It requires civility on the national stage. The team will need to be comprised of republicans and democrats, independents, and educators. The team will need to give consideration to the foundations in light of Constitutional insight. Scholars will be needed for the system to function well. People will need to be inspired for these changes to take place, for the seeds of creativity to be planted, and for our youth to grasp the possibilities of innovation systems, of people without borders, of new concepts involving communities where all may work, thrive, learn, and form their future, with each contributing to the economic dream. Can we imagine what that will look like today, in our New America?

160
Concepts for Agency Capture

Financial markets control everything, even our regulatory environment. Our education systems need to give more attention to informing our people about this field. Currently, in 2018, corporate influence is playing with the constitutional theory of *separation of powers*. This corporate influence includes the power to lobby for controlling interests, to influence policy and enforcement that benefits the corporate investment environment. Enabling business opportunity is a good thing for our country, but a system is needed to divert this lust for control and power. An example of the types of perversions that might occur if this monopolistic impulse is not curbed includes the creation of tax strategies to benefit themselves or perhaps they create exceptions to the rules in order to avoid anti-trust law violations. The nation-building component of this mechanism is realized through incubators for the sustainable development of urban planning. Through this new federalism approach, state economies can create competitive infrastructure models. America will need to disassemble the possibility of creating an oligarchy through laws or court decisions that identify “original intent” for pluralism which is expressed in the formation of a shared power platform as a function of democracy. Take “Pork Spending” for instance. What is the purpose of that concept where congressmen acquire budgetary resources for some activity within their state, but which may not be relevant to the national interest. Where did that practice come from, a pig farm? Swine policy? American citizens may need to call for a repeal of the tyranny of the majority.

Conservative Equality Appointment Power

Progressive tax is a part of this new generator for the economy that is proposed in this article. No matter the tax policies of the past, the future of tax can be changed to open transparency. The primary concerns for Congress as it forms this new system should be unifying America by administering and investing in the American people. That needs to include a middleclass value system that creates jobs through small business generation, that provides for the collective good in tax investment liquidity accounts, and that funds an innovation multiplier through investment deposit accounts and contracts.
Congress should focus on becoming a bipartisan governing body. They should enable and pass appropriations for bipartisan careers that begin with training concerning civil liberty expressed in support and cooperation with colleagues or business partners, in the pursuit of sustainable growth in human capital. This may be effective as a tool to merge the ideologies that separate and control perspectives, a tool that can be used to create a better functioning government, for identifying and creating public policy that achieves the desired results, and that establishes realistic policies for the expenditure of tax dollars.

The new regulatory scheme should be based upon natural law principles. Natural laws are immutable rules that are the same everywhere for all time.\(^\text{17}\) “Its rules are there to be discovered, not created arbitrarily in state houses. Natural laws are based in fundamental fairness. Everyone knows them and can discovery them in their own life because everyone wants the benefit of natural law justice when they are in a weaker negotiating position! Violations of natural law are clear on their face. It is wrong to rob a man. It is wrong to slander a man. It is wrong to beat a man without just cause. It is wrong to fail to perform a deal under the terms agreed to. It matters not what language you speak. It matters not what time or place you live in. The rules of conduct between people don’t change. Justice is justice.”\(^\text{18}\)

**Financial Banking Policy**

The new system must begin in New America. The changes will happen slowly, considerately, building the pieces that fit, into the financial model that will begin a transformation of investment purpose and behaviors. Support for the new system comes from two tiers of financial sourcing. The first is a loan strategy from local banks to support small business incubators through business planning and training. Next, the investor pool has an opportunity to offer additional loan support for an equity stake in the business model once it


is up and running, operating at a growth profit margin, and looks to scale globally through an ecommerce venue. This represents the reason for including global connectivity in the plan. Currently, the Federal Deposit Insurance Corporation (FDIC) directly examines and supervises about 4,000 banks and savings banks for operational safety and soundness, more than half of the institutions in the banking system.\footnote{Who is the FDIC? Federal Deposit Insurance Corporation, https://www.fdic.gov/about/learn/symbol/, (last visited March 21, 2018).} A deposit of $250,000 is the current maximum amount guaranteed by the FDIC as a mechanism of confidence to account holders that their funds are secured. This New America mechanism will embrace virtual banking where accounts can be engineered and organized through servers, named under a trust, or LLC formation, S-Corp, sole proprietorship and so on.

Consider this fact pattern: 50 states, 80 banks equal 4,000 FDIC insured banks in a National Net Worth Network. At $250,000 in each bank just to start, which collectively amounts to one billion dollars, or $900,000 available for loans at the 10% reserve rate, and most importantly, in a liquid cash deposit like a savings account. This simple concept is the actual leverage for major investors in the Program. Tools including money market accounts, certificates of deposit, bond strategies, mutual funds, and real estate equity instruments may be part of the Program Deposits. These specially designed, investment tools will be used for an incubation program promoting small business loans. The New America Act, as part of the Program, will enable a sustainable development concept where innovation sparks the growth of smart cities built in mixed use urban design models. They will include components of small business ownership and training centers designed to prepare communities for the future of technological trends and interstate competition.

For banks, the reserve rate is straight forward. Ten percent (10%) of the deposit amount goes into the vault for cash on hand and the remainder is considered on the books for investment or loans. This will allow for a constant buffer to investment risk. From a $250,000 cash deposit, $25,000 goes into the vault, and $225,000 is available for loans, or treasury bond purchases. To mitigate risks, banks perform standard risk assessments, which include a review of all business plans, which are completed only after the small business
leaders successfully complete the training and incubator program attached to education centers in every state. And the bank will offer loan amounts from $10,000 to $50,000. This Program will enable small business startups throughout our national community, multiplied 4000 times for banks insured by the FDIC across the country. The U.S. Treasury will issue all the risk-free bonds our economic system will ever require, implementing fiscal policy that allows investments back into our communities.

The implications of a slight change in financial investment behavior as represented by the Program, allows for the intersection of ethics and economic growth through innovative changes, which will ultimately enable the addition in our towns of new, affordable homes. This access to funds that will enable the development of small businesses will enhance our society, its stability, and its willingness to innovate even more.

A National discussion needs to happen to help create small business innovation, sustainable development concepts, and programs in this country that inspire policy makers. This discussion should include every politician, legislators and legal minds, banking officers, investors, and educational institutions in America today. It should be our top priority. Love for our country, our democracy, and our principles are expressed in many ways. We are a unique and free-spirited people. We are explorers. As explorers, we should help and encourage the competitive spirit to search for truth in democracy, and research further potential growth opportunities that innovate and shape a better future society. It’s through knowledge that we can claim profit as the reward. But knowledge has more value than profit can ever bring into lives. Our quest for skills in trades and efforts to determine value in the world connects us to true power, power which contains the spark of innovation.

Create the Exchange

A change in investment behavior and a belief in ourselves that allows us to take risks with certainty, risks supported by great public policies that help to achieve that ideal, will inspire the New America to explore new markets, consider participating in treaties and currency exchanges, as well as explore investment opportunities. We have the tools. We have a system that can work
for stability and growth models. We must embrace the fact that we are a capitalist system, and we welcome the world to do business with us. But we need a system of economic growth in this nation. The rule of law is embraced by our legal community, as well as the value of a regulatory environment. This new Program for a New America enables the citizens to become the investment community.

Law is fundamental to financial achievement and monetary policy. It is not a trade secret that Americans will innovate. This Program will enable the creation of a new financial exchange market, one that feeds a system of sustainable business development and recyclers tax dollars back into the generator. It’s not about securing a market or finding profit shares in stock, that’s already been conceived. It’s about the function of value, used to enable innovation.

**Motive for Action**

Americans are apparently compelled to be free, both as individuals and in our pursuit of businesses that operate in an open market platform, designed for competition, price structure, trade exchange, and the interest gained from loans. We want to profit from our endeavors, but profits can be valued in other ways. What would be the “value” of creating a small business model that launches an investment banking system? The financial markets use liquidity to form a framework for better fiscal policy and accountability for the federal budget. This Program represents demand side economic stimulation, by putting loanable funds in communities for small business creation. Innovation is born. The system enables its creation, provides adequate training for running a successful business, thus giving the regular American citizen an opportunity to jump into the market and become part of New America.

**Conclusion**

Great leadership is a compilation of experience, achievements, and relationships. When you are on top of the world as a leader, any move you make from that point will be a decline. You must be willing to reduce the profile to gain perspective. Good leadership begins with understanding those
methods. Great leaders build relationships that help implement the change needed, it requires a process of inclusion. Groups that work well together are more successful in life, in business, and in helping build community values. This Program enables Americans to identify the value of our interests and to develop public policies that expand marginal growth sufficiently to fund small businesses and innovation within our communities. We are one people, in one Nation, under God, indivisible, with liberty, and justice for all. It’s a New America.