

SHORT- CHANGED!



How the rich and powerful extract wealth from the real economy and what **WE** can do about it

JK WRIGHT

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for
Others

‘No man is an island’ – John Donne 1624

This book is dedicated to all those others who make life worth living and add true happiness to people’s lives. While to a greater or lesser extent we are all self-interested at heart, it is what we do for others and what they do for us that makes the real difference. Individuals can achieve very little on their own, so we all rely on others to make things happen. This includes not only the others whom we know personally, but all those who to the best of their abilities maintain the infrastructure of our lives, from keeping the transport system clean, safe and working to running our hospitals.

Since birth, my life has been blessed by countless others. I would like to acknowledge and thank them all, including of course, Tina, my most significant other for more than sixty years.

Teena Lyons

While I am the author of the thoughts and ideas contained in *SHORT-CHANGED!*, I am not its sole writer. Teena Lyons was my co-writer, or ghostwriter, as she styles herself (www.professionalghost.com). It was Teena who breathed life into the book. She proposed the structure, and created the first draft from my notes and babblings. Edits and re-edits by both of us produced the final version. However, it was Teena who ensured that it was engaging to read while amazingly sounding like me. Her writing talents and contribution to *SHORT-CHANGED!* deserve both recognition and my very grateful thanks.

JKW

Preface

‘Try to leave the world in a better place than when you found it.’

While I hope this book will be easier to read than many of its genre, I also want it to be a challenge. The above words give the clue to why I felt compelled to write it. The words were said to me many times by my mother and often cause me to reflect upon how I am doing in this respect. Sadly, the part of the world where I live, the UK, is not a better place than when I found it in the aftermath of World War II, which was a time of hope and new opportunities. I was one of the lucky ones who had survived the war unscathed by loss and in consequence benefited from those new opportunities. These included a free education at school and university, followed by a career that took me from being a research scientist to being a modestly successful entrepreneur and businessman in a field which gave me a broader practical experience of the world than most others ever gain, including our economists and politicians. I lived in the world of real stuff and commitments, as opposed to money and promises.

On my own, I cannot fulfil the challenge of improving the world. No single person can achieve very much at all, which is why we need others to play their part. In fact, I decided to dedicate this book to others, not only the others who have played a part in my life, but also to all the others who can help to make the world a better place.

The foundation of this book lay in the days before the 2008 crash, when I began to question the sustainability of the burgeoning debt in the western world. It seemed obvious to me that things would take a severe downturn and

I was surprised that most, if not all, experts didn't see what I saw so clearly. I set out to explore why this might be and what might be done to enlighten others, so that we don't live in this permanent cycle of boom and bust. It's been a long journey and a real challenge for me. I started out knowing next to nothing about economics, or how our political system actually works. Like most people, I assumed that our economists and politicians were on top of it. I now think otherwise. Indeed, I've discovered that we accept far too many things in life without questioning what are nothing more than (often highly) questionable assumptions. I discovered that politics and economics are inextricably linked and that you can't fix one without fixing the other and this shaped my thinking towards writing about our political economy, which, coincidentally, is what the subject of economics was originally called.

That financial crash of 2008/9 made it abundantly clear that our political economy was in a real mess, at least in the UK and the western world, and it certainly needed fixing. Everyone seemed to agree, from those who protested at Wall Street and St Paul's to the leaders of businesses and banks, to members of governments. Amazingly though, when the dust died down, nothing happened. There was the bail-out, austerity and then more growth for the rich, but no fix! Why not? It seems entirely rational to believe our government should have done something about it. There must be experts who can help.

The UK was under a Labour government during the crash, has a Conservative government now and there was a coalition in between. Each one has spectacularly failed to stop the exponential growth in the wealth of the top 1 per cent. This was not just at the expense of the poor, but of 90 per cent of the population.

I became obsessed with trying to understand why these things couldn't be fixed. If the government couldn't fix it, what did the experts say? As well as much searching on the internet, including watching numerous YouTube presentations by experts, I started reading. The bibliography at the end of this book lists those books I read and consulted. The authors range from establishment figures like Lord King, governor of the Bank of England at the time of the crash, to those proposing left-wing perspectives, such as Hilary

Wainwright, editor of *Red Pepper* and former advisor to John McDonnell. In between, there were many academics like Mariana Mazzucato, Professor of Innovation and Public Purpose at University College and John Kay, one of Britain's leading economists and former professor at both Oxford and the London School of Economics. I have also read less weighty tomes like Robert Peston's *WTF*. I continue to read, even after completing the draft of this book. The first such book was *The Future of Capitalism* by Sir Paul Collier, Professor of Economics and Public Policy at the Blavatnik School of Government. I was pleased to find it is Sir Paul's philosophy with which I am perhaps most aligned, although that could be a case of what I call 'last data input', to which I believe we are all prone. This is the tendency to put the greatest weight on the last thing we heard or read about a particular subject – that's why advertisements are so repetitive.

As I did my research and read the books about our political economy, each new thought triggered an internet search, which in turn led me to one or two more books to read. However, nothing would satisfy my revolving mind. They all had too much in common. They could all explain why the financial crash occurred and were united in the agreement that we needed a fairer society. In fact, they all concluded we needed a better way of doing it. However, none of them proposed one, well, at least to the satisfaction of my enquiring mind. What they proposed was various ways of *fixing* what we had. Yes, they want to fix the system that has failed so many times from the South Sea Bubble of 1720 onwards! Keynesian economics allegedly fixed the Great Depression and monetarism allegedly fixed Keynesian economics, except, as we all know, they haven't! They were only ever sticking plaster laid upon a system that is fundamentally flawed.

After all this reading and thinking, why do I think I have anything to say that hasn't been said before? I am not particularly fond of writing and certainly do not seek the limelight. I only managed to complete this book after taking the advice of a friend to use the excellent services of a ghostwriter in order to get my thoughts into a publishable form. In short, I am a dreamer, but a practical one. I have a multidimensional mind and am possibly somewhat

dyslexic, but that, I believe, allows me to process vague thoughts into concepts and then with the help of others, convert them into something that is both practical and worthwhile.

The aim of this book is to show why the system is flawed and how the defect is compounded by all of us, me included, because we accept concepts that are patently untrue if only we thought about them properly. My thoughts are simple, but processing them and finding a better way of doing it are anything but. I would agree with many who suggest that we need a global solution to our problems, but the existence of an anarchic global financial market makes that a non-starter. My suggestion is that we should start closer to home, in the UK, and show the world how to do it. After all, the UK was one of the principal instigators of the present system, which is based on rewarding people for what they *already have* in preference to rewarding people for what they *actually do*. While not all of the rich support the present system, a sufficient number do and so much so that thanks to a mechanism known as compound interest, they dominate and control our society. Our political options are so limited that they effectively boil down to either supporting those who are heavily influenced by the lobby of the rich and powerful, or those who speak for those most disadvantaged by it. We are thus an extremely polarised society driven by the destructive competition of extremes rather than beneficial cooperation around the centre ground. In between the extremes, we have the largely silent centre, who perhaps understandably are more inclined to accept the status quo, because they fear that rocking the boat might be to their own disadvantage and/or they don't believe that they can do anything to significantly improve things anyhow.

My two simple, but interrelated, themes are set out in the first two chapters. They are unshakeable in my mind and no one with whom I have yet shared them has said that they are wrong. Granted, that agreement is often mixed with a healthy amount of scepticism. The sceptics say something along the lines of 'the world was ever thus' or 'it's not going to change'. Chief amongst the sceptics was my wife, Tina. She didn't read very much of the book during its preparation, but now, having read it, she is, along with many others,

fully behind it being shown to the wider world. It is thus a challenge to the many, not just to economists and politicians, to really think about how together we could all make the world a better place. By doing this I hope to create a discussion to answer all those questions that have been buzzing around my head for years. Why is it that money drives the economy, and why does it grow, when it was only ever intended to be a measuring stick? Are we being *SHORT-CHANGED* by an elastic tape measure? Why do politicians ask for our votes but not our opinions? Why are political parties essential?

At the end of the book, I allude to two critical factors that were entirely unknown to me before I put pen to paper or, more accurately, finger to keyboard. One is Modern Monetary Theory (MMT), which I only became aware of as I came close to finishing the first draft, and the other is the Covid-19 pandemic, which erupted as I set out on the first chapter. However, neither factor is a reason to change my fundamental arguments in the book about how 90 per cent of us are being short-changed. Therefore, in spite of the undoubted impact of both matters on our political and economic landscape, I decided to include specific comment on them in an afterword. This is to emphasise that MMT and the pandemic are not the basis for my book, even though to a very large extent they do support my thinking about the need for fundamental change to the way that our political economy works.

In fact, there's no stronger support for my arguments than that the wealth of UK billionaires,¹ like those in the USA, has actually increased during the pandemic, while the real economy was being hammered!

My ideas are just my thoughts. They make sense to me, but do they to you? My suggestions for a better way forward are very vague but purposely so. I am not saying that I know exactly how to make the world a better place. No one person could, but I am convinced that it could be a whole lot better than it is now. It will take the many, not the few, to achieve it, but only after they have given serious thought to what kind of a society they really want and how they can collaborate to make it a reality. This book is a challenge to everyone to start the debate!

Jim Wright

<https://www.thisismoney.co.uk/money/markets/article-8812261/How-rich-just-got-richer-UK-billionaires-wealth-soars-35.html>

Introduction

The acronym ITABWODI first came to my attention many years ago when I saw it written in large letters across the top of a design engineer's drawing board. I was on one of my regular trips to the USA at the time, travelling in support of an international laser technology business. The acronym, which I'd not seen before, piqued my interest and I asked the engineer sitting at the desk what it meant.

'It's an acronym for "Is There A Better Way Of Doing It",' he told me.

As a scientist and businessman, it was a sentiment with which I completely concurred and the acronym has stuck with me through-out my career, which centred around continuous improvement in what was then the newly developing field of laser technology. That engineer was entirely right; there's always (well, almost always) a better way, if you think long and hard enough.

I've long since retired from the business I co-founded. It had grown to become part of a multinational public company, where I finished as vice-chairman of the board and vice-president for new product development. Along the way, I also held a short-term appointment in the NHS, where I also hoped to help find better ways of doing it. Today, I continue to be a dreamer and a thinker, still always focusing on better ways to do things.

I first started to think about economics around the turn of the century after the so-called dot-com bubble, when the markets were apparently booming and general spending was flowing, yet all other indications of growth were to the contrary. The issue I simply could not get my mind around was how burgeoning levels of both personal and public debt could be sustained. To me

there always had to be a day of reckoning. I raised the issue at a small dinner party with friends and concluded that it would end badly.

‘Debt will out!’ was my assertion.

At the time, I was somewhat reassured by my neighbour, Mike Phelps, who insisted I was wrong. After all, he wasn’t only brighter than me, but was also the chief economist to the Welsh Assembly government to boot. He later became head of the Office for National Statistics, so why wouldn’t I believe him? Even so, I wasn’t altogether surprised by the subsequent financial crash in 2008, and I’ve grown increasingly concerned ever since. Most importantly, I haven’t seen any changes that would stop a crash from happening again. From my viewpoint, the system that governs our lives on a day-to-day basis is broken, and the experts don’t seem to know how to fix it. After each subsequent crash, the markets recover and everything goes back to ‘normal’ in what is a flawed system that only benefits a handful of the elite, leaving the rest of us to pay for the damage.

I’m not alone in my thinking. No one can have failed to be aware of the increasing amount of very public protests, whether anti-capitalist demonstrations such as Occupy Wall Street and Occupy London at St Paul’s, where teenagers gave up school to highlight climate change, or thousands of people marching against government policy. Terms such as ‘We are the 99%’, ‘Extinction Rebellion’ and ‘Climate Emergency’ are now part of our new lexicon. In a troubled world, it appears there are plenty of people who want to make a stand. Even big businesses seem to be sitting up and taking notice. In August 2019, Apple, Amazon, Ford and JP Morgan were among 200 corporate giants to sign a pledge that they’d redefined their purpose towards ‘improving our society’, rather than simply making money for shareholders.

While almost everyone is aware things are wrong, there appear to be no obvious neat and tidy solutions to solve the economic and social problems of the West.

After reflecting on this, and reading many books with solutions proffered by experts from across the political spectrum, I have come to a conclusion. Nobody has yet identified the root causes of the systemic failure of our political

economy in simple enough terms for it to be widely understood. In consequence, any proposals that have been put forward to date have only managed to go as far as suggesting various ways that our present system can be repaired or improved. Tinkering won't work! The elites will always find ways around it and, indeed, have always done so. The fact is that everything about the present model is no longer fit for purpose. We need to go back to basics, understand why and then use this more complete understanding to develop a totally new system based on the needs of today.

My experiences as a developer of new products have taught me a lot that might be relevant to this endeavour. As a starting point, I work on the basis that the most successful innovations are often for products that the market generally didn't know it wanted. Think of any big advance, such as the Sony Walkman, the smart phone, or (going back a bit) replacing the horse with the car. The majority of the general population is not clamouring for change right now, but if a better and fairer way was revealed to them in accessible terms, my hunch is there would be a very great deal of support for it.

A second lesson concerns the need for collaboration. When I first started working with lasers, there was no market for them. For a long time, they were known as a solution in search of a problem. However, I was privileged to be at the forefront of developing YAG² lasers for new applications in a whole range of industries from electronics to aerospace and medicine to motor cars. The key to success in all cases was collaboration. My firm knew a lot about lasers but not a great deal about the problems that people brought to us. It was only by working closely with the end users that solutions were found. The early applications were for difficult or intractable problems, which is most likely the reason behind people's willingness to try such a newfangled idea. Thus, we drilled holes in diamonds and into extremely hard aero engine alloys at shallow angles to the surface. We also welded dissimilar metals like molybdenum and tantalum and helped find a way to remove secondary cataracts after eye surgery. Success in these early applications led to wider awareness of their capabilities, such that lasers are now in widespread application throughout manufacturing industry and in healthcare.

I decided to apply some of this new product development style of thinking to the seemingly intractable problem of fixing our economy, or our political economy as it was originally known. That description is, in itself a clue, since politics and economics are inextricably linked when it comes to running the country. You can't fix one without fixing the other. Thanks to the strength of their symbiotic relationship, this is no easy task. There is a strong likelihood that individuals representing both elements within society will use their combined strength to resist change from outside their ranks.

Hitherto I'd been hesitant to set out my views and suggestions, reasoning that there are plenty of expert academics in the fields of politics and economics who would appear to be eminently more qualified than me to formulate the problem and propose effective solutions. Except they haven't seriously considered solutions outside the present framework. Not with any degree of substance, anyhow. This suggests strongly that those in power, and those who support the network of those in power, are in no hurry to change the status quo. So, when I considered it more deeply, I realised that perhaps I *was* qualified to comment and, equally importantly, am willing to do so. I'm prepared to say what so many of the elite have quietly ignored, or persistently played down. I also have a broad range of career experiences which are based on a foundation of thinking the unthinkable and following through. As well as being a scientist by training, I've been an entrepreneur at the top level of an international, stock market-quoted business, and also worked or interacted at a senior level in academia, government, the NHS and a number of charities. I have a broad understanding of the challenges facing most sectors. Perhaps just as importantly, I've had first-hand experience of how much society has changed over my lifetime and the true impact of these changes, both positive and negative.

My starting point is that our present political economy is unfit for purpose because it rewards people for what they already have and not for what they do. In Chapter One, *Wake Up to Money!*, I explain that the root cause of this situation is that we misuse the concept of money. Money isn't a commodity but merely a concept that was conceived way back in time to facilitate the

exchange of goods and services at fair value. It can also facilitate timing differences in such exchange processes. For example, one can be paid a pension long after the work that earned it was done, or bills can be paid before goods are received to enable the maker to produce them. In and of itself, money does nothing. It will not dig your garden, nor will it take your kids to school. However, for centuries, there have always been those who have contrived to misuse money in order to control and benefit from the work and services of others. Whereas slavery was abolished in Britain in 1833 (buying and selling other human beings was, arguably, the most blatant misuse of money), we have been in no hurry to abolish many other misuses of money. Indeed, a whole industry has grown up in the City of London which is dedicated to benefiting people who have far more money than they need, without them having to do anything in return. I call it the MONEY BREEDER ECONOMY. They call it the Financial Sector. They have even persuaded our politicians to accept it as a public good that adds to the value of our economy. The truth is though, it is just a means of extracting more money from the real economy on which the rest of us depend.

The obvious retort to what you've read so far is: if it's all so simple, why doesn't our government do something about it? Thus we come to the political part of the problem. We are told that we live in a representative democracy where the politicians we elect represent our interests. In Chapter Two, *The Myth of Democracy*, I have shown that nothing is further from the truth. Quite simply, our members of parliament represent political parties and their ideologies. Each is selected as a parliamentary candidate by less than 1 per cent of us and, once elected, is expected to toe the party line. Here you will see the symbiotic relationship between the political and the economic at work, and just how much our main parties rely on their relationship with the City either to gain, or remain, in office. 'We the People', who should be the sovereign authority in a democracy, merely get to choose the least bad option as far as our personal welfare is concerned. You may be surprised to learn that we live in a de facto plutocracy controlled by the rich and powerful, irrespective of which political party is in power.

Part One of the book concludes with some thoughts about how and why the present system exists in a broader sense. It is not all bad, since it has served to raise the living standards of most people living in Britain today. We are now better educated and benefit from better technology and communication methods than ever before. I will show, however, that this is not enough. The infrastructure we are served by is simply no longer appropriate, since there are clear indications that there is a better way of doing it. Essentially, it is a management or governance question. I have not only lived through the creation of the NHS but also through countless reorganisations of its management system. Similarly, there have been reorganisations of the management of our educational system as well as within commerce and industry. Many of these changes are thanks to increased knowledge and improvements in technology, but few developments seem to have significantly impacted, or benefited, the way that our country is managed.

In Part Two of the book, I outline some of what I've learnt from personal experience in the fields of science, business, the public sector and, to a lesser extent, politics. My experiences and observations have led me to make what I believe to be a fairer and more measured diagnosis of the ills of our political economy. After all, I do not have the vested interest of the elite but merely, from the mindset of an engineer, want to tackle what I perceive to be gross inequalities. Firstly, I analyse the problem and all the surrounding factors and then start to look at whether or not there's a better way of doing it. Are there alternative options whereby we could evolve into a better, fairer and, most importantly, a more contented society?

The rest of the book is not about starting a revolution. That's the last thing I'd suggest. If things are to change for the better, we need a process of evolution that takes place over time whereby 'We the People', learn to cooperate with each other. To create a genuine democracy based more on what's right rather than who's right, we need to put money back into its proper box where it's just a useful concept and not a commodity.

In Part Three, I have outlined my concept of what a better Britain could look like, before briefly reviewing some of the ways that others have already

suggested might help move us in that direction. I would like to stress that, like the philosopher Montaigne, these are my personal thoughts and ideas. They are not a prescription but a contribution to a debate amongst what I hope will be the majority of people in Britain who want to find a better way of doing it. My ambition is that you and, indeed, many others will join me in thinking differently. We don't need to accept our present political economy with all its flaws and vested interest.

There is a better way to do it: let's start the discussion and find it.

YAG is an acronym for Yttrium Aluminium Garnet, a crystal that was found to be suitable for making high power lasers.

PART ONE

The Way It Is Now

Wake Up to Money!

A tale of two economies

As Ralph Waldo Emerson said: money often costs too much. But, as to exactly how much it actually costs, well, no one really has a clue. One thing's for certain though; it costs a whole lot more when it's misused. Perhaps today more so than ever before. Capitalism, which claims to steadily increase the standard of living for *all* of its citizens, is not working. Generational progress has ground to a halt. Children born today will not enjoy higher living standards than their parents.³ Or, should that read *the majority* of children? All the signs are that a small number of the elite will be much, much better off and increasingly so.

We're already in a situation where the richest 10 per cent own nearly half of British wealth and that figure is heavily skewed to the top 1 per cent. Meanwhile, the bottom half of the population together possess less than 10 percent of it.⁴ That gap is widening at an alarming rate too. The Office of National Statistics (ONS) does a survey of wealth and assets⁵ every other year, and it shows the average mean wealth for the highest decile wealth bracket consistently gaining, while the poorest decile barely changes. There is zero chance of things changing any time soon, either. Those who exist at the bottom level of wealth distribution have no wealth or savings to shift their position. They can't afford to take risks, or try out new opportunities, whether it is in their jobs, improving their educational prospects, or moving to a more thriving location. At the same time, those in the middle, including those who have the benefit of a university education, are finding it increasingly difficult to

make headway. Getting on the housing ladder without help from the Bank of Mum and Dad is extremely difficult, so much of their hard-earned money goes in rent payments to landlords. Meanwhile, those at the top continue to grow their wealth using sophisticated tax avoidance schemes. Furthermore, with inheritance tax low, and easy to avoid, money cascades down the generations. The wealthy congregate in affluent centres such as London, Oxford and Bath. High (and ever-growing) house prices further reduce mobility, and price youngsters out of home ownership. People can't afford to move. The result: little changes. Inequality becomes self-reinforcing.

The foundation of the problem is that we have all been brought up to accept as gospel that investment for financial gain is good. Nothing else seems to count. I first started to think seriously about this in the aftermath of the 2008/9 financial crisis, when I heard the expression: privatise the profits and socialise the losses. In other words, make sure the big corporations and investors are OK, while passing on the debts for the rest of the nation to deal with. No one liked the ensuing austerity, but it was accepted as the price we all needed to pay to get things back on track and get the economy working again. This was patently unfair. The people who were expected to shoulder the debt were the 90 per cent who did the work that actually created the wealth by adding real value. Why were they then expected to live in reduced circumstances? Whereas the people reaping the rewards of this work, who did very little, were given even more money for their minimal efforts. There's clearly something very wrong with a system that encourages this. It certainly isn't working in the interests of the majority and doesn't reward people for the fruits of their labours.

To trace how we got to this point – and why the economy isn't serving the 90 per cent well, or indeed as intended – we need to go back to basics. A big part of the problem stems from the fact that whilst most people think they understand money, they don't understand how it's misused by the extremely rich in order to control all of our lives. On the other hand, they believe the economy is complicated and best left to experts, whereas it's basically quite simple and should be controlled by all of us.

At its heart, the idea of money is indeed pretty simple. It was always intended as a means for fair exchange of dissimilar goods and services. Thus, in our early history, when barter was the way to do business, if goods or services were exchanged for goods or services of a similar value, happy days. However, if the value of one side of a deal was seen not to balance the other, then a cash payment was required to make up the shortfall. Money was simply a very handy way to supplement a barter system that was otherwise difficult to keep track of. There was never any intention that money should become a commodity of any huge import, let alone become a major driving force of how we live, or a measure of success or failure.

The core concept behind economics is equally straightforward too. It's simply the study of how goods and services are produced, distributed and consumed from the limited resources available. You might consider it as a social science that describes how groups of people organise themselves and the assets available to them to best serve the interests of the group as a whole and the individuals within it. This applies to all sizes of groups ranging from families through clubs, societies, and companies to the country as a whole.

So far, so good. Where did it all start to go wrong?

Something for nothing

The admirable concept of money as a means of exchange first began to be distorted when, many years ago, some bright spark came up with the idea of money-lending for profit. Thus, if one person had more money than he needed, he'd agree to lend, say, 10 units of this money to someone who didn't have enough money to buy something he or she wanted or needed. To secure the transaction, the lender would expect the borrower to repay 11 units of money in return. This would therefore involve the borrower needing to work that little bit harder because he'd not just need to earn the equivalent of the 10 units of money he'd borrowed, but the extra one unit on top. If you look at this transaction in purely dispassionate terms, this means the lender, who has experienced no effort or hardship on his part, received the benefit of one unit of income generated via the work of another person. The concept of getting

something for nothing was born.

No doubt, the borrower who was desperate to get his hands on ten units of money didn't really notice the inequalities in the system. He had his 10 units, after all, and could pursue his wish. However, the possibilities were not lost on those with 10 units, or even considerably more, to lend. Little thought appeared to be given to the idea that it might be morally reprehensible to benefit from another person's work without doing any work oneself. There was more money to be made.

Whilst the simplest form of money-lending for profit probably didn't change very much in Britain for several centuries, the idea really came into its own with the advent of financial trading in the early seventeenth century. This allowed the rich to buy fractional shares of a company in expectation of receiving a similar share of any profit that the company would make in the future. Many companies were being set up at that time to fund expeditions intended to obtain and exploit riches from overseas. Although the stock market of today now has rules and regulations, as well as a formal home, it's still a place for the rich seeking personal profit from the exploits and work of others. The foundation of the idea is, of course, built on the concept of lending cash for profit. Investors who purchase shares are given an opportunity to share in the profit of publicly traded companies, while the companies themselves receive much-needed capital, so they can fund and expand their businesses (in other words, do the work side of the something-for-nothing equation). Quoted companies have a fixed amount of capital, equal to the value of shares purchased, and limited liability. This means that shareholders will never lose more than that fixed amount. So shareholders are entitled to share in any profits from the company up to any amount but at the same time would never bear any responsibility whatsoever for any losses that the company might make beyond the cost of the shares that they'd purchased. Thus, by investing in a good range of companies, the rich could expect to gain more from the companies that succeeded than from the ones that failed. (This is the same principle on which venture – or should it be vulture? – capital funds work today. Not quite a one-way bet, but pretty close.) The net result? *Much more of*

something for nothing is floating around! Just to make things a bit juicier for all concerned, the birth of the Stock Exchange coincided with the boom days of the British Empire where the rate of economic growth was rapid. Indeed, the period is regarded as the dawn of modern capitalism.

Not surprisingly, the idea of something for nothing rather caught on. Or, as Gordon Gekko (played by Michael Douglas) famously said in the 1987 movie, *Wall Street*, ‘... greed, for lack of a better word, is good.’ For as far back as anyone can remember, people have been focusing on ever more ambitious schemes to obtain money without doing any real work.

Welcome to the Money Breeder Economy!

While the idea of making money out of nothing sounds attractive, the concept is fatally flawed (as well as morally questionable). On a purely scientific level, it is impossible to create or destroy matter, as per the Law of the Conservation of Matter. It can only be changed by the forces of nature, or by the application of work. Scientifically speaking, money changes nothing. It will not dig your garden, nor repair your car. Today, thousands of years after the idea of money was first introduced, it remains as purely a concept intended to facilitate the exchange of stuff (assets) and work (services) at fair value. If one thinks of an economy as the engine of a society, then the stuff represents the body of the engine and work is the fuel which drives it. Money might at best be described as the lubricant which helps the engine to run smoothly, but it is not and never can be the driving force. You can’t ‘create’ more and more money (i.e. stuff), however innovative you are with your ideas. It is impossible.

Yet, these simple truths have never stood in the way of the Money Breeder Economy (MBE). Instead, there has been a less-than-subtle shift in the narrative. The value of money doesn’t actually equate to the value of the stuff it represents any more. In fact, today, the entire global financial market has become supremely reliant on the idea that money has virtually nothing to do with the stuff it is nominally meant to represent. This has paved the way for the value of shares to soar by percentages into the double and even triple digits.⁶ We’ve all grown pretty used to long bull runs in the stock market. In

March 2019, ten years after the biggest stock market low in recent memory following the global financial crash that began in 2008, the Dow Jones was up by 300 per cent. Did that mean that companies were worth 300 per cent more since the financial crisis? Had they all found some magical way to make 300 per cent more profit out of selling goods and services? Of course not. Any business that struggles out of single-digit growth at any time (let alone in the wake of one of the worst financial crises of the past century) would be hailed as an extraordinary business, yet here we are. Under the MBE, no one needs to bother with the inconvenience of actually matching the stock market value of a company to the actual amount of stuff that exists within the company. In fact, as we shall see in Chapter Three, many companies have negative tangible assets when all of their debts are taken into account. SERCO, which seems to run so many government services, is a case in point. And don't forget that this is after their accountants have done their utmost to put the highest possible value they can on those things that do exist. Here we have an example of *much, much, much more* of something for nothing, even out of nothing!

Clearly, the idea that our economy is best managed by financial market forces is complete and utter nonsense. Markets can't and don't manage anything. They are inanimate, so incapable of thought, or of making any decision, let alone a well-considered judgement call. We have all heard City pundits being asked, 'What are the markets saying?', and incredibly they respond as though this is a perfectly reasonable question. Markets cannot and do not speak. That's a scientific fact. The real question should be: 'What does the market indicate?' Stock market prices do not indicate any verifiable measure of a company's net tangible value. Prices simply indicate the collective opinions of how much richer the rich of the MBE think they will be tomorrow or, with today's high-frequency trading, over the next nanosecond. The values of the companies don't change, well, not that fast, so when prices fall the investors don't lose anything, except for the ability to sell their shares at yesterday's price. More importantly it doesn't, or shouldn't, affect those who are not shareholders. It certainly shouldn't stop people working in order to add value to our real economy. No, share prices go down because investors believe

that the MBE will not be able to extract as much wealth from the real economy tomorrow as it did yesterday. They would rather see construction workers laid off, if they, the investors, can't be paid a dividend. However, if we, the people, via our government, became the external investor (more later), the construction workers could keep on building houses that we desperately need and our real economy would grow.

Rather than adding any value at all, the financial sector *extracts* money from the real economy for the benefit of no more than the wealthiest 10 per cent of the population and, most likely, just for the 1 percent at the very top. In other words, the vast majority of the population (not just the poor) would be better off without the financial sector as a separate element in the economy. In fact, as the distinguished American economist, Michael Hudson, suggests in his books *Killing the Host*⁷ and *J is for Junk Economics*,⁸ it is the 99 per cent who are funding the top 1 per cent.

The end of Downtown Abbey-style capitalism

The present continual increase in inequality hasn't always been the case, in spite of the intrinsically parasitic nature of the financial sector. In the first thirty years or so after 1945, there was an actual increase in the percentage of wealth and income going to the less well-off. Famously, Prime Minister Harold Macmillan told Britons in 1957 that they 'have never had it so good', painting a rosy picture of the economy and the likelihood that everyone would be better off in the post-war era. The nub of his plea was to maintain growth and rebuild the economy, albeit while workers exercised 'constraint'. Perhaps his heart was in the right place. Certainly, society seemed at least a little better off in this period. Indeed, I now describe this time as one of Downton Abbey Capitalism, in which the aristocracy was positively assisting a gradual change to a fairer society for all. I feel I experienced a little of this myself when, in the Seventies, I was introduced to the City, including two directors of Robert Fleming Merchant Bank. I felt confident then that their greater interest was in helping my company, JK Lasers, to sell more lasers and develop new ones, rather than just in making money for themselves and their investors.

Why then did this seemingly kinder form of capitalism end abruptly with the introduction of neoliberal economic policies in the early 1980s? The answer can partly be found in the style of economics being pursued following World War II. It was based on what is known as Keynesian economics, which was originally proposed by John Maynard Keynes in the years following the Great Depression. Keynes argued that in times of economic stress a government could not leave the financial economy to the whims of the market but should step in and take up the slack by investing in public services and thereby maintain full employment. This is clearly what happened with great success in the post-war period, but it led on to the obvious market consequence that the employed sought to increase their share of the fruits of their labours. After all, they were the ones doing the work and creating the success. However, not surprisingly, private sector investors didn't want to see their dividends reduce; therefore, in order to satisfy both ends of the wealth-seeking spectrum, consumer prices had to rise. This caused an upwards spiral, with wage demands hotly pursuing price rises, causing inflation to soar to 25 per cent in the Britain of the mid-1970s.

It turned out that while the wealthy in the private investment community didn't mind the government helping out in the bad times, they weren't prepared to see much, if any at all, of their mostly unearned wealth and income pass down the chain in order to create a fairer society. Keynesian economics was set aside in favour of what was then known as monetarism, which could loosely be interpreted as: *never mind the real economy and the people; it's all about making money*. This was epitomised by the privatisation of nationalised industries and the Big Bang in October 1986, when large-scale deregulation took place and the traditional City institutions were absorbed into avaricious conglomerates. Robert Fleming Merchant Bank was amongst the similar well-meaning institutions that now no longer exist.

This new economic philosophy brought in by Mrs Thatcher following her election victory in 1979 had been developed by Friedrich Hayek in the 1930s. Essentially, it said that governments should play little to no part in managing the economy, since that could be better managed by markets, where everyone

could be relied upon to act rationally in their own self-interest. In other words, Hayek assumed that everyone was innately greedy. This philosophy ignores the fact that, whilst we all have a degree of self-interest, most of us also have an interest in others. Why else would we form families and live in towns and villages? Perhaps Hayek's theory might have some validity if the markets were restricted to actual goods and services contained within a nation state, but then we would be back to barter and fairly exchanging cups of sugar, participating in something on a fair and mutual basis. However, it wasn't called monetarism for nothing. The economy wasn't going to be about trade in real stuff. It was about giving everything, including notional stuff that didn't really exist, a monetary value and then trading it on the money markets. (Here, I am using the term money markets as a collective term for not only the traditional stock market, but also a whole host of old and new markets where things could be given a monetary value ranging, say, from actual commodities to bitcoins.)

The new City that emerged under Thatcherism became aligned with Wall Street and helped fuel the idea of a global financial market by sweeping away controls on capital transfers. Over half of the now more than 500 banks with offices in the City of London are foreign-owned. While it would be fair to say that this form of monetary-led capitalism has since become the driving economic force in Britain, making it a wealthier nation in terms of GDP, it has definitely benefited some people considerably more than others. It is by no means a good, or sustainable, system appropriate for a democracy. More importantly, no one runs or controls this global financial market. There is no central governing system to make sure everyone plays fair. To appreciate how dangerous this is, imagine the global economy as if it were a breeder nuclear reactor out of control. Except, unlike nuclear reactors, which are contained within nation states with robust built-in safety measures, there is no appointed control authority for the globalised economy and no built-in safety factors to moderate the effects of meltdown. The big problem is, with no controls, or certainly very little oversight, the market is constantly casting around for ever more innovative and dangerous ways to make *even more* something out of nothing. Greed trumps honour and common sense every time.

Many economically well-qualified experts have already written about where and how things went wrong and some of the many references I have read on the subject can be found in the bibliography at the end of this book. I found *Other People's Money*² by Professor John Kay particularly engaging, perhaps because he recalled where I started in business finance, working with a friendly bank manager who cared as much about my business as his bank's profits. Bill Cooper, the manager in question, taught me the basics of traditional banking from simple overdrafts, to bills of exchange and how to hedge against currency losses on our export contracts. Many of his customers were farmers, so he kept a pair of wellies in his car boot so he could walk round their farms when he visited. At that time bankers took time to understand the companies they were supporting.

John Kay charts the transition, through a process known as *financialisation*, from that era of real people to the seemingly faceless one of today, littered with trading screens in dealing rooms across the globe. This process included the conversion of mutual financial organisations, such as building and insurance societies, which used to be owned by the members who depended on their services, into banks with the ability to print money without security. It also saw useful derivative contracts, like hedging against currency losses, being vastly expanded to include things like collateralised debt obligations (CDOs) and credit default swaps (CDSs) that very few understood. I certainly don't, but I'm not alone, even among the so-called experts. I can still remember asking a private banker (who had a quarter of a century's experience under his belt working for banking giants such as Barclays and RBS, advising wealth management for high net worth individuals), if he could explain credit default swaps to me. His reply? 'I haven't got the faintest clue!' Clearly, it didn't matter to the burgeoning number of traders, who make their commission either way and are long gone when reality hits. And, reality does eventually hit. Take CDOs as a case in point. They were derived from a process known as securitisation, which packages all sorts of debts together so that, in principle, there's a reduced risk of losing everything. However, that wasn't the case when what were known as 'liar loans' were lumped into the mix, where there was no

security backing at all. It was a slippery slope from the reasonable through the questionable to the downright illegal. It didn't matter to the MBE though; it was just *much, much more of* something for nothing.

What happened in 2008 when reality hit and it all fell apart? The real economy bailed the banks out, or to be more specific, the 90 per cent of us who don't live in the MBE world did. Well, the government did on our behalf and without asking us if that was what we wanted it to do. The banks, it said, were simply too big to be allowed to fail. This happened shortly after Gordon Brown had become our prime minister and only just over a year after he'd embraced the apparent success of the MBE in his Mansion House speech of 20 June 2007. The then Chancellor of the Exchequer said:

'This is an era that history will record as the beginning of a new golden age for the City of London and I want to thank you for what you are achieving. And I believe the lesson we learn from the success of the City has ramifications far beyond the City itself – that we are leading because we are first in putting to work exactly that set of qualities that is needed for global success.'

In another part of that same speech, Brown referred to the emergence of a new world order. Sadly, he didn't at that time recognise it as one controlled by the global rich to the detriment of all sovereign democratic governments and their peoples.

The 2008 financial market crash saw the government taking control of Lloyds and RBS banks and assisting others with taxpayers' money. It also introduced the term 'quantitative easing' (QE) into public consciousness. I suspect very few of us understood the true meaning of QE. What in essence it meant was that the government created £435 billion out of thin air to replace the £435 billion the commercial banks had created out of thin air to fund allegedly secure assets that didn't actually exist. As I said at that time: debt will out. I was right too. All the losses fell on the 90 per cent.

The flawed rules of the economic game

As we all know now, ten years on, it's business as usual. Market traders are still thinking up new and ever more innovative ways to make money from nothing.

Even securitisation has been given a wash and brush-up and is being widely vaunted as back in vogue. In fact, the securitisation market in England and Wales is now counted one of the largest and most developed in Europe, representing an estimated €20.6 billion of €93.1 billion new asset-backed securities in the first six months of 2019.¹⁰ Why is it that we're so willing to go back to privatising the profits for the 1 per cent, whilst waiting for the next crash?

This economic game continues unabated because by far the vast majority of the population accepts, apparently unquestioningly, the notion that it is perfectly natural to expect a return on money that we're not using right now. The obvious rejoinder to this is: how, then, and why do we think that money grows? John Maynard Keynes, the British economist whose ideas I mentioned earlier, had a simple response to this conundrum. He said that investors 'earn' the return, because they are taking the risk. I have no wish to decry this respected economist, who was undoubtedly a (mostly) successful investor, but there are some flaws in this argument. If you are an investor in the top decile, with a million pounds or more to invest, how much of a risk is it really? Records going back for more than a century show that UK equity investments produced a compound real return of more than 5 per cent over the long term. Yes, there have been good and bad times, but why should more than 90 percent of us only get involved during the bad times? In any case, the risk element doesn't tackle the reality that these investors are still *doing nothing* to get their return. Surely those who do the work should reap the rewards, making themselves and society better off. Why don't we socialise the profits, as well as the losses?

Mention the socialisation of profits and this is usually the point where those in the MBE start to get a little nervous and whisper darkly about nationalisation and government control. This is, in itself, a clever sleight of hand. It implies they are the good guys, helping us to make money, while the government represents the overly-controlling bad guys, taking it all away through taxation. Private is good, public is bad! The emphasis is always on the government taking away *your* money via the tax on earnings, even though

those in the MBE are more concerned about the tax on their investment returns, despite all the sophisticated schemes they use to ease this burden. They don't even mention that their investment returns amount to an additional tax on everyone's earnings. Yet, the government is not, or should not be, against the people. It's simply a myth promulgated by the rich to keep profits from other people's work coming their way.

What is so wrong with a government that is *for* the people? If you take away the noise of the MBE, what person wouldn't want to vote for a government that invests on behalf of society as a whole, while leaving businesses in the hands of those who work in them? Imagine, for example, a situation where the government is in a position to provide direct investment in companies alongside interest-free loans for employees to invest in their companies to encourage motivation and involvement. All the benefits of their labour would then be fairly shared between employees and society. None of this is to say we should prevent business owners from starting, or investing in, their own businesses, but instead of sharing their wealth-creating skills and company profits with the rich, they would share them with their employees and/or society. Provided they get the capital they need, their businesses will perform at least as well and probably better since the employees would inevitably be more motivated.

There is absolutely no moral justification behind third-party private investment for profit. The question we should all be asking ourselves is: what is it that the disinterested shareholders of manufacturing companies actually own? Is it the physical assets of the companies or the workers who make the products? If the former, these assets are depreciating, so they should pay workers for maintaining them. If the latter, it is tantamount to slavery, dressed up in a somewhat more civilised form.

What surprises me is the extent to which the establishment continues to support and even underpin the MBE. Lord Mervyn King, who was governor of the Bank of England at the time of the crisis, and Lord Adair Turner, who became chairman of the Financial Services Authority at about that time, have both written erudite books about the failings of the MBE leading up to the

crisis. Interestingly though, their proffered solutions amount to little more than suggestions of better and more effective control and oversight of the financial markets. Other economists advocate a return to a more Keynesian style of economics. They seem quite to forget that neoliberalism only came in because, after a period of success, Keynesian economics had also failed thanks to hyperinflation driven by greed, whether greed for profit, or greed for higher wages. Surely there can be no getting away from the core fact that financial markets have now failed so often they are clearly unfit for the management of our economy. Lord King suggests that the only alternative is a centrally planned economy. That is an assertion that is just plain wrong. There is always a better way and we desperately need to find it. As for planning, where does it exist, either in neoliberal or Keynesian economics? There is none at all in the former, while the latter only proposes government action when the free market fails. The focus remains on how the likes of Gordon Gekko, or Lord Grantham, the 7th Earl of Downton, can make more of something for nothing. (Notwithstanding that Lord Grantham was more charming and expressed concern for the welfare of the less fortunate). Money was never intended as a management tool, so why should we let it manage our public companies, let alone our lives? Money is simply a measurement system, which analyses the value of actual stuff, work or service provided. Its private use should be limited to spending, saving, giving away or investing in the private company in which you work. Perhaps savings should be inflation-proofed by the government, since in an ideal world that should be under their control.

By using money and the profit motive to manage our public companies, we're failing to direct our activities towards what society as a whole would choose, given the opportunity. Consider the construction industry, as an example. The total capacity in the country at any one time is always limited by the available resources, so how should we choose what to build? Should we put up expensive, lavish apartments in London for sale to largely absent foreign owners? Or should we build homes for people who live and work in the capital? I feel confident that, given the option, society would choose the latter, whereas in our present system a significant amount of our resources have been

directed towards the former purely because there's more money to be made. I would not, and never would, advocate running businesses at a loss, but their primary purpose should be to deliver the goods and services, at which they are the experts, in as cost-effective manner as possible to meet *real market needs*. Profit is just a natural by-product of a successful business, which should then be shared between all those working in the business and the society in which it operates.

Everyone should reap the benefits of their own labour

If money is just a measure of real stuff, who should rightfully own that stuff, or assets, as they say in accounting parlance? It might help to begin by categorising assets. First of all, I would define British assets as all assets which exist within the UK and there-fore fall under UK government jurisdiction. Secondly, I would define private assets as those owned by individuals and families for their own private use and benefit that generate no income whatsoever, and for which they bear the full cost of maintenance. Finally, all other assets could be defined as societal assets, because one way or another they exist for the use and benefit of society. They include the means of production of goods and services and the infrastructure that supports them and society as a whole. Left alone, these societal assets deteriorate and cease to benefit anyone. They only retain value and create benefit by the application of work by real people. So, irrespective of who actually owns these deteriorating assets, there are two real questions that need to be addressed. Who should control and manage them? And who should benefit from the application of work?

The first question is the most difficult, since we live in a complex world where there's so much interplay between the various aspects of our economy. However, I'm a firm believer in so-called bottom-up management, whereby a person doing a job should be empowered to manage that job, whatever level they are in an organisation. This would, as far as possible, put control and management responsibility in the hands of the people actually working inside the organisation. This would not prevent those at a senior level either seeking, or listening to, wise counsel whenever they wished. After all, not to do so

would be foolish. Taking advice generally benefits any organisation. I'd also recommend less, not more, government control of productive entities. The role of central government should be to look at the bigger picture and manage the country as a whole by facilitating and balancing the overall needs of society.

The answer to the second question of who should benefit from the application of work, is to find an acceptable balance between all employees, including entrepreneurial founders of new businesses, and the whole of society. In this way, society would benefit via taxation of employee income and from providing investment finance via a mutual interest banking and investment system supported by the Bank of England. The Bank of England could thus become the lender of first resort in good times as well as the lender of last resort in bad times. In other words, I'm suggesting a different form of public-private partnership, where the benefits are shared with everyone and not just the 1 per cent as at present. It wouldn't be a Utopia, but it would be a better way of doing it.

I anticipate many will respond by saying, 'But what about the loss of the important oversight and direction that the City of London provides to ensure good management of our public companies?' The answer to this is that the oversight, such as it is, is generally to the detriment of companies, their employees and society. The only real beneficiaries of such involvement have been the 1 per cent and the CEOs who are given generous incentives linked to their company's share price. Take a recent comparison of the water industry, as a case in point.¹¹ Scottish Water, as a statutory corporation, has outperformed *all* of the English privatised water companies by delivering water to consumers 14 per cent cheaper than the others, and without paying a salary and benefits of £1 million-plus to its CEO. Furthermore, it has not extracted £57 billion pounds from the real economy to fund dividend payments to disinterested shareholders over the past ten years. We see this situation time and again when comparing public versus private companies. There is, for example, no evidence to support the notion that publicly traded supermarkets are better managed than Waitrose, which operates within the John Lewis Partnership.

The continual pressure from the stock market for public companies to

produce year-on-year increases in profits leads to short-termism and questionable management practices. I'll explore this in more detail in Chapter Three, but will say now that I know from my own experiences of leading a business, increasing profits month-in, month-out, is an almost impossible task. Business growth is not linear. At times, you need to pull back, or put the relentless pursuit of profit on hold to invest for the future. For quoted companies, this is never an option though. The City wants results, shareholders demand them too, and earnings are dependent upon this relentless northward march towards profits. In some cases, businesses resort to finding 'other ways' around this problem, like utilising offshore cheap labour, or relying on creative accounting methods. There's little thought given to the long-term consequences. Why would there be? After all, CEOs are motivated towards these practices by hefty remuneration packages linked to profits and share price.

We are all complicit

Perhaps one of the most disturbing issues of the Money Breeder Economy is that each and every one of us is in some way guilty of wanting a piece of it, which is possibly why we overlook so many of its obvious failings. Ordinary people are hugely reluctant to call for higher taxes because there's always an undercurrent of: *one day I will be rich and then this will unduly impact me.* There is more to this too, though. Millions of us believe that we have our very own slice of the MBE. We return to it each evening and sleep safe in the knowledge that if we own our own homes, we're making money. In 2019, house prices increased by an average of 4 per cent.¹² Your own bricks and mortar is quietly earning you money. *More* something for nothing. Except, this is a complete myth. We've become so enthralled by the idea of making money from property, few people stop and look at the real numbers. If your property rises in value from £500,000 to £580,000 over a period of five years, it won't enable you to buy any more goods and services. Meanwhile, you'll be paying interest on your mortgage, pay countless hundreds of pounds on looking after your 'investment' by maintaining it and keeping it looking good, and keeping

up with insurance premiums and other property-related costs. While homeowners often delight in the fact they are not 'wasting' money on expensive rent, the money they're making is not delivering a high rate of return, certainly not enough to compound their wealth by any significant degree. You could of course buy a shabby property and do it up to sell, which would hopefully create gain. But here, you wouldn't be creating something from nothing. You'd be creating something from your labour, or that of your contractors. If you've bought a house and are simply counting the annual rise in 'value', you're deluding yourself. You can only spend it if you take out a second mortgage, which of course you have to pay back to, you've guessed it, the MBE with interest on top.

The problem with the economic and financial system we've chosen to accept (or certainly not question very much) is that it is both all-powerful and intensely vulnerable. It constrains the economic regimes of individual countries by inexorably tying them to the globalised financial markets. It also leads to an ever larger (and completely unsustainable) accumulation of debt (because there really isn't something for nothing). Why does this matter? After all, the appetite of successive governments to print money never seems to wane. We've also seen that financial crises tend to blow over quite quickly. Can't we just keep notching up the tab?

But it does matter.

This imbalance between the haves who keep pushing up the bill and the have nots who do the work for dwindling rewards, is at the core of the illusion of the MBE and the issues that blight society today. The debt keeps growing because the global rich continually seek gain through interest on the value of loans, or by selling goods and services for profit, irrespective of where these transactions are located. They don't care about trade imbalances between countries. That is an issue for governments to deal with. The net result? The lender gets richer and the borrowers (i.e. most of us) get poorer. Money, which was never invented to control our lives, or to determine who has what, now seems to do just that!

Measuring our economic health

Economists and accountants have become experts at stretching beyond any scientific reason that the concept of money is a mere measurement system representing the value of stuff. For one, accountants give monetary value to intangible assets, which by definition do not exist. It may be based on a hope for future profits, but like all hopes, it's not a reality. We don't give monetary value to our hopes of our country winning the World Cup! Both are just dreams and should be recognised as such. At JK Lasers, we always did our best not to fool ourselves by adopting the following mantra:

Enquiries aren't quotations.

Quotations aren't orders.

Orders aren't deliveries.

Deliveries aren't getting paid.

Getting paid is the time for a drink!

It's even more of a departure from reality that most eco-nomists use money to measure the size of the national economy, using the monetary value known as GDP. In his book, *Economics: The User's Guide*,¹³ Professor Ha-Joon Chang entitles his chapter on GDP 'How Many Do You Want It To Be?' with a subheading of 'Output, Income and Happiness'. Basically, the answer depends on who's asking the question and what it is they want out of life. Hardly surprisingly, with something so vague, that questions and debates rage about what should be included in GDP. It's meant to represent the added monetary value of all the economic activity in the country put together, but many books and analyses written since the financial crisis have seriously questioned this conventional notion. Is GDP the best measure we have of a nation's economic health? Or, is it the *continual growth* in that measure all that matters? Economists and commentators refer to the ways that the measurement of GDP has changed over time to the detriment of ordinary people. In 2008, President Nicolas Sarkozy of France, asked Nobel Prize-winning economists Joseph Stiglitz and Amartya Sen, along with respected French economist Jean-Paul

Fitoussi, to establish a commission of leading economists to study whether GDP was a reliable indicator of economic and social progress. In the foreword of the resulting book that outlined their findings,¹⁴ Sarkozy highlighted the following conclusion of the experts: ‘One of the reasons that most people may perceive themselves as being worse off even though average GDP is increasing, is *because they are indeed worse off*.’ It is a point succinctly echoed by Jacob Assa, author of *The Financialization of GDP*,¹⁵ who concludes: ‘In other words, national accounting is a numerical form of the classical art of persuasion, intended to convince rather than to measure.’

With all of this in mind, let me try to persuade you to look at national accounting in a way that appeals to me as a physicist and businessman. I freely admit that I lack any training in economics, save for reading Ha-Joon Chang’s book, but as a physicist I am qualified in how to measure real stuff. One might even say that accurate measurement is what physics is all about. Physicists have a whole host of ways to measure things and units in which to measure them. We don’t add the coefficient of friction of shoe leather to the weight of a bag of apples which you’ve gone to the supermarket to buy and we don’t attempt to financialise them so we can add them together and give them a monetary value. Given the complexity of our national economy, which far outweighs that of apples and shoe leather, I’m amazed that it can be encapsulated by a single number. I’m not denying that it’s a good thing to measure the economy as well as one can, but at best it can only ever be an estimate of many different things which need context and understanding. Decisions on what adds or subtracts from the goodness of our economy is in the interests of us all, but it’s a lot to ask from a single figure.

As a businessman, I did learn how to read a simple set of accounts and that making a profit was all about adding value by doing work on actual stuff. I was also taught the difference between gross profit and net profit, where the former was the actual added value, before the costs of being in business, known as overheads because they don’t add value, were deducted to yield the net profit. Fairly simple, eh? Accountants can make it seem a lot more complicated, but

it's the same principle used for all businesses. So, why don't we try to use my simple notion for our national accounting as if our country was a business, say UK plc? On this basis, I would suggest that the GDP of the real economy would represent the gross profit, i.e. the added value of the goods and services that the nation actually wants to consume and export. This includes the local and national public services that we need, such as the NHS and refuse collection. On the other hand, the GDP of the MBE and the cost of both national and local government represent the overheads that need to be subtracted to find the net benefit to UK PLC. This is directly analogous to any company, where management, accounting and financial costs, like insurance, are all treated as overheads. Let's further assume that all UK citizens each hold one share in UK plc and imagine what they would demand from the management on this basis. It seems obvious that cutting the overheads and investing the savings into the real economy would be right at the top of their list.

Strangely, this isn't a million miles away from what I believe the expert authors of many of the books on GDP I've mentioned here suggest. It's also what Simon Kuznets, the man credited with inventing GDP in the 1930s, originally wanted. (He'd been asked by President Roosevelt to come up with an accurate picture of post-crash America.) If it's all so obvious though, why isn't anything changing? In fact, I keep pinching myself to see if I'm dreaming utter rubbish and struggling to write a book of no import. But no, I can't shake my belief in my simple conclusions. I have two answers to the question of why we seem to remain in the same stubborn holding pattern, relying on an entirely inefficient system.

Firstly, the experts are economists and they feel the need to convince other economists with more sophisticated economic arguments than I have presented here. As a result, their books inevitably don't reach the general public in sufficient numbers to generate a mass outcry demanding changes to the way we measure GDP. Secondly, it's the economists in the MBE (which is probably the largest employer of economists) that need to be convinced most of all, since they're in the right place to be able to do something about it. There seems

little chance of that happening though. As Upton Sinclair, the nineteenth-century American novelist and social reformer, once said, ‘It is difficult to get a man to understand something when his salary depends on his not understanding it.’

While I seem to be agreeing with an increasing number of renowned economists about what went wrong and why GDP as presently calculated is no longer supportable, I haven’t found any significant support for my opening notion that the root cause of our economic ills is the misuse of money. I can find no moral, or economic, argument to justify private investment of money in other people’s lives in order to earn a return on their work and endeavours. Yet, the situation endures. Indeed, it’s getting further and further out of hand since there’s no longer control by any government, as described by Oliver Bullough in *Moneyland*.¹⁶ A global solution is what’s really required, but it’s hard to imagine that happening. There’s one possibility though. With Britain leaving the European Union, we have the opportunity unilaterally to seek to unravel ourselves from the global financial markets. Within the UK this would involve gradually reducing the returns available from private investment to zero via progressive taxation. The government would provide any new financial investment required, ensuring that future returns from the real work and endeavours of citizens are shared between individuals and society as a whole. I hasten to add that this does not mean that we’d cease to be a trading nation, but one that would be restricted to trade in goods and services that we actually produce. This is easier said than done, and I acknowledge that, but it’s something that should be possible in a true democracy, where people are both properly informed and listened to.

Meanwhile, the market grinds on, making *more and more and more* something out of nothing. If you think any of the counter arguments put forward in this chapter are new, or radical, think again. I’m not the first person to explore the obvious disparities in the system and the need for a more equitable approach. Indeed, I’m preceded by more than four hundred years by the English writer Richard Hakluyt, who petitioned compellingly to Queen Elizabeth I and King James I. In his petition, ‘Reasons for Raising a Fund to

Settle America: On the value of colonies to England’, he notes the reasons for the raising of public, as opposed to private, investment to support this venture, as follows:

Where colonies are founded for a public-weal, they may continue in better obedience and become more industrious than where private men are absolute backers of a voyage. Men of better behavior and quality will engage themselves in a public service, which carries more reputation with it, than a private, which is for the most part ignominious in the end, because it is presumed to aim at a profit and is subject to rivalry, fraud, and envy, and when it is at the greatest height of fortune can hardly be tolerated because of the jealousy of the state.

And, if you want to know the details of how it all developed from there, I suggest that you read *The Finance Curse* by Nicholas Shaxson.¹⁷

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The Myth of Democracy

A choice of extremes

In any discussion about defining democracy, it's inevitable that, before long, someone will bring up the Gettysburg Address. Abraham Lincoln's short speech, delivered four and a half months after the bloody climactic battle of the American Civil War, sought to allay fears that the sun had set on democracy.

'This nation, under God, shall have a new birth of freedom – and that government of the people, by the people, for the people shall not perish from the earth,' he concluded.

It was, and still is, widely recognised to be one of the best speeches of all time. However, as is so often the case, the reality never really managed to match the rhetoric. The truth is, the people being addressed by Lincoln didn't actually enjoy the benefits of this abundance of freedom when it came to getting their voices heard. They were, as they'd always been, governed by the rich and powerful. The same is completely true of their cousins across the pond in the UK, despite our many years of an alleged rich democratic tradition.

Today, as has been the case since the signing of the Magna Carta, the controlling power over our nation is concentrated in the hands of a powerful elite. What perhaps should be of even more concern is that some members of it are neither British, nor even resident in the UK.

And it isn't getting any better, even though it so easily could.

Whereas democracy as proclaimed by Lincoln is a simple concept, it has never been implemented in practice either before, or since, his speech. It has

only ever been partially or ineffectually nodded at by those in power to appease those who support the idea. These pockets of dissent occur either when the general population is fighting back against oppression, or when enough people go through an intellectual thought process that concludes the former president was truly onto something.

Lincoln was not the first person to explore the merits of democracy. Anthropologists suggest it may have been effectively practised in small bands, say fifty to a hundred, of hunter gatherers in the days before tribal chiefs took over. After that, there have always been contests to obtain and retain controlling power over others. Further, throughout the ages, the adoption of such power has generally been accompanied by the acquisition and display of great wealth.

In the UK, the seat of power has transferred over time from the King or Queen (monarchy) through their lords and bishops (aristocracy) to the MPs in the House of Commons (oligarchy?). Yes, we do get to choose our MPs, but only from a very restricted choice of candidates. More crucially, we don't get to determine their policies and the laws that they alone can enact or repeal. The sovereignty of the UK, as it's termed, rests with parliament and not the people. This lies at the core of why it's just an illusion that we live in a real democracy.

While we're often reminded that we live under a system of 'representational democracy', MPs represent their own or, more likely, their party's views. It appears to be the case that they have asked their constituents for their votes, but not their opinions, which is what democracy should be about. There are no real excuses either: heeding the valid views of various constituencies may not have been that feasible in Lincoln's day, but it is today. The majority of the population are well educated, with the ability to understand the country we live in and what they expect from life. In fact, the Office for National Statistics records that today 40 per cent of the 20 to 65 age group are graduates, whilst, with few exceptions, the rest have been educated at least until age 16. The population isn't dumb and shouldn't be treated as such. Further, whereas Lincoln was limited to addressing a small crowd in the days long before the invention of the telephone and radio, let alone the internet, we can now

communicate with almost everyone in less than a second.

These improvements in communications have not been completely ignored by the rich and powerful. It's just that they've preferred to use them to both retain control and enhance their wealth. The Money Breeder Economy recruits the brightest maths graduates to produce algorithms that enable profitable financial market trading to take place not in seconds, but nanoseconds. The obvious question arises: why do we use some of these brightest brains to make the rich richer, when they could be employed in the real economy to make the whole country better off? Surely that is what a true democracy would do. Why doesn't our government move to change things?

The simple answer is that our government is in thrall to the rich and powerful who control the MBE, and in consequence listens to them more than to we, the people. The involvement of political parties in the misuse of money was outlined in Chapter One and is at the heart of this inaction. Yet, we all play a part too. We blithely accept that the concept of political parties is inevitable and essential. We also accept that it is right to expect a return on private investment however small without any question of why it is right, and who provides that return. That's what keeps the rich and powerful in control. It's a strange anomaly since the same vast majority appear to be against large bonuses for bankers, offshore tax havens and excessive salaries for the CEOs of public companies. For example, just as the Covid-19 crisis gained pace, and weeks ahead of Virgin asking for a government bail-out, shareholders and activists cried foul at the 89 per cent pay rise to Virgin Money CEO David Duffy, despite the business incurring increasing losses. Did he *earn* that additional amount? The evidence seems to say not. Yes, we'd all like a little more, but we could easily have that if we didn't keep giving more of what we earn to the rich and powerful who control our lives.

A plutocracy not a democracy

Before looking at how things might be changed for the better, let's examine how our present system works and why it is not just undemocratic, but is in fact plutocratic, since the rich took over from, or perhaps joined, the

aristocrats.

Neither of our main political parties seem able to confront the plutocrats, for differing reasons. The Conservative Party (the Tories) is, and has always been, the party promoted and supported by the rich. It stands solidly by the philosophy that those who have wealth accumulated from the past, whether by fair means or foul, can be relied upon to provide the best guidance for the future of the country as whole. Whereas this may well be true for those who have real concern for the welfare of others, it is certainly not a given for those who have accumulated their wealth via ruthless self-interest. Quite the opposite in fact. Given the opportunity, the latter will not hesitate to seek to influence the former into unwittingly furthering that self-interest. The Tories are thus supported by those in finance and business, bolstering the idea that business knows best when it comes to how the economy should be managed, with government playing as little a part as possible. They argue that government is there to support business and private enterprise, which alone creates value for the nation, through employment and payment of wages. Business, however, will only play ball on a continuing basis if it can make profits for its investors. Ensuring a continuous stream of profits is deemed more virtuous than a continuous stream of wages. The extension of this thinking is that unemployment is a problem for the government, not business. Furthermore, businesses encourage the view that government should restrict the costs of welfare for the less fortunate to ensure as far as possible everyone is 'incentivised' to work to earn their living. No one, they say, should get something for nothing, unless absolutely necessary. They totally ignore the irony that this is precisely what the MBE does for wealthy investors who do not work for the businesses from which they derive enormous unearned incomes.

Conservative Party policies lean towards putting much of the implementation of the social matters of education, defence and law and order into private business hands. In schooling, the government not only continues to treat and support public schools as charities, but has also introduced private academies with mixed results. Some prisons have been privatised, whilst the

Ministry of Defence is responsible for placing some huge private contracts. The strategy builds on the belief that the profit motive of private business always results in better and more efficient management. This somehow also justifies the payment of unearned dividends to indifferent investors, even though the record of so many of the privatised businesses, including, but not exclusively, the dismally run privatised water industry, would suggest otherwise. In reality, management is a separate issue, which can be good or bad in both the private and public sector. I have not forgotten the NHS, which has long since become a sacred cow in the hearts and minds of the public and a political football as far as ruling parties are concerned. Nevertheless, the Conservative Party has still sought to minimise capital investment by the state through the introduction of the Private Finance Initiative (PFI) to build new hospitals which yield future income streams for private investors. They have also encouraged growth in private sector health providers by paying them to provide some NHS services.

There can be little doubt as to where the Conservative Party and/or government stands with respect to the MBE. It wholeheartedly supports it. It's hard to understand why though, given it actually extracts money from the real economy, to the detriment of the nation they seek to govern. It would be wrong to assume that it's because the party as a whole, and its MPs as individuals, are as selfish as those that run the MBE. They're probably not, save for a few that may be covetous of high office. The most likely explanation is that they've been led to believe that their pro-business policies are in the country's best interests and alternative, more socialist, policies would be positively harmful. The real questions that need to be answered are: where do these beliefs come from and how do the MPs and parliamentary candidates who propound them get selected?

To answer the first question, my research led me to a chilling article in *The Guardian* about the role of think tanks.¹⁸ It charts not only British right-wing think tanks, but also the way they're supported by, and collaborate with, a global network of more than 450 think tanks and campaign groups known as the Atlas Network, which is headquartered in Arlington, Virginia, USA. These organisations are funded by a global elite of multi-billionaires. One of their

number, Charles Koch, formed the Charles Koch Foundation to promote his strongly held free-market views, and funds various programmes. In the 1990s, its president, Richard Fink, wrote an essay that laid out their subversive strategy for change.

First, donate to universities in order to produce the necessary 'intellectual raw material'. Second, donate to think tanks, which then process this raw material into a 'usable form' to be consumed by opinion formers. Third, donate to political advocacy groups, which have been characterised by critics as front groups whose function is to make politicians believe there is strong grassroots pressure for small-state, anti-welfare policies.

This all means that the UK right-wing think tanks – the main source of Conservative policy – are run by people who have likely been seduced by such subversive activity and embraced the free-market philosophy. (You may find this as horrifying as I did. I should add that I followed up on much of what was written in the article, since there is so much misinformation flying around. I found it checked out – I'm not a scientist for nothing!)

Conservative policies, as espoused by their MPs and parliamentary candidates, are therefore based on what they have been *taught* to believe, without really coming to their own independent conclusions. (You'd be forgiven for thinking that it sounds almost like a religion; they believe it, even if they don't really understand it!) Politicians, in turn, espouse the views to the electorate that have been promoted by the far-right extremists who fund their thinktanks, while at the same time emphasising that socialists cannot be trusted to deliver a better result because of the activities of far-left extremists. With such a confusing message it is no wonder no one really understands. Never mind though, politicians keep pushing the message home. We're told again and again that supporting private investment for profit is preferable to public investment for welfare and means the whole nation will become wealthier. Thanks to a nebulous process called 'trickle down', everyone will somehow be better off, or so the mantra goes. Except, as we saw earlier from the expert report commissioned by President Sarkozy, himself a conservative, this isn't in fact happening.

The media also play a large role in delivering the message for the rich and powerful. Indeed, many media barons, both past and present, are themselves part of the elites who dominate when it comes to deciding how our country is managed. No one should be under any illusion about the influence exerted by News Corp's founder, Rupert Murdoch, even though he is neither British, nor resident here. Even the BBC is under constant threat to make itself more commercial in response to sustained campaigning by the Murdoch-owned media.

If the views propounded by Conservative candidates at election time have more or less been predetermined by the rich and powerful in cahoots with the party elites, how are the candidates selected? Helpfully, this is set out in a 23-page rules document. It indicates that only candidates pre-approved by the party's Parliamentary Assessment Board can be considered by local party association members, typically numbering between fifty and five hundred, who make the final decision. The guidance further states:

'What the Party needs most of all are people who can command respect locally and win over voters who are not always Conservative supporters.'

In other words, elections are all about further promotion to the general public of the beliefs put forward by the rich and powerful lobbyists that have been previously agreed with the party leaders. The choice of candidate has absolutely nothing to do with responding to the wishes of the electorate. The only priority is to win the election with the firm intention to govern according to the agreed ideology of the party. When you consider that total membership of the Conservative Party is only around 0.2 million people, out of a population of about 68 million, it is hard to call it a democratic process. I am not saying that individual candidates don't care, or don't come into politics with a desire to do a good job for the country, but the fact remains that their only chance of becoming an MP with a right-of-centre viewpoint is to go through this process and, if elected, toe the party line. It is a well-founded management truism that people perform according to the way in which they are measured. Once in parliament, an MP's performance is measured by the Whip's office according to their voting records and, rest assured, the Whips

assure the party line is adhered to.

Let us now look in more detail at how the Labour Party, the main opposition in the UK, deals with this sustained pressure from the rich and powerful to retain control by supporting the Conservatives. Can they offer a more democratic solution? The quick answer is an emphatic NO. At least, not at present anyhow. While they claim to have identified the problems of gross inequality in our society, they're unable to address them unless they can obtain power by winning an election. And, therein lies the problem. To do this, they have to develop and propose policies that will appeal to more people than those espoused so effectively by the Conservative Party. This is not an easy task, so they've opted to go about it in a similar way to the Conservatives. Yes, there are left-wing think tanks too, although they differ a little in that there is greater transparency behind who is funding them. Labour has wealthy donors who support them too, but fewer than the Conservatives. Never mind that this central policy reached its peak in the post-war Attlee government because, whilst the NHS remains a revered public service, other nationalised industries were seen as less successful. Setting aside whether this was due to government ownership or the declining nature of the industries, it helped foster the enduring notion that the private sector was better at the job of management. Either way, it appears to remain a bugbear for potential wealthy donors.

While Labour policies are more about welfare and caring about the whole of society, the party felt obliged in 1995 to abandon its long-held position of public ownership of the means of production. The party also embraced the MBE, including the Private Finance Initiative, in order to get elected in 1997. This was epitomised by Tony Blair's relentless pursuit of support from Rupert Murdoch, who epitomises the rich and powerful. The stark policy change was confirmed by many of the Mansion House speeches of the then Chancellor, Gordon Brown. This change in direction has since been at the heart of factional splits in the party which has been to its great detriment, while at the same time greatly benefiting the rich and powerful.

As for Labour's parliamentary candidate selection process, it's not that dissimilar to the one described above for the Conservatives, in that the

National Executive controls entry to the list of candidates. The only slight improvement is that Labour has more than twice as many grassroots members as the Conservatives, but even so, it still represents less than 1 per cent of the population.

There you have it; while we have either a Conservative or Labour government, the rich and powerful will control our economy in the interests of no more than one in every ten of us. In one case, we'll have a government that positively supports them. In the other, a government that tolerates them in return for gaining some positive welfare reforms. Whichever way you look at it though, it ain't democracy. We the public, have been marginalised. No one asks us what we think, or what we want. There's no room for detailed public debate about the details of individual policies.

We, The People, are treated as part of our consumer economy. However, we can only 'shop' once every five years, that is, unless they find a self-seeking reason to change it. Even then, we're subject to tightly controlled media promotion of party rhetoric to solicit our votes. Tweets, sound bites, or three-word mantras such as 'Labour Isn't Working', or 'Ambitions for Britain', tell us nothing about policies which need serious consideration. They are simply appeals to our emotions borrowed from the world of advertising. Even 'Get Brexit Done' was an emotional appeal. It didn't tell us what would happen once it was done. It certainly won't be the source of the £350 million a week for the NHS that was promised during the campaign. Perhaps one of the slogans was at least partly true. 'Taking Back Control' will certainly happen for the rich and powerful of the MBE, rather than us, the people. They wanted the freedom to continue to misuse money and make much, much more of it out of nothing, and they persuaded the majority of us to vote for it. After all, in spite of its many shortcomings, the European Union was the one major economy that was at least beginning to take some positive action against the increasing domination of global businesses.

The potential to influence change

Change, as they say, brings new opportunities and I hope there might be a

silver lining to Brexit. As a sovereign nation, with our own currency, we could, as suggested earlier, withdraw from the global financial market. Well, we could if we were a democracy and that is what we, the people, wanted to do. Is there any hope that could happen any time soon? That depends on a sufficient number of people realising that there could be a better way of doing it for them. It doesn't have to be all of the 90 per cent of the population who I believe would benefit. However, it is probably more important that those presently serving as, and those aspiring to become, our MPs recognise that centre-ground collaboration, as opposed to extreme left-versus-right competition is the route to a better democracy.

We've reached the point where the rich and powerful are able to control and retain a de facto plutocracy, by employing the principle of divide and rule. Their heavily funded and polished promotional activities have convinced more than half of us that personal investment in other people's businesses by the MBE is the way to run our real economy, in spite of the fact that it only enhances the wealth of, at most, the top 10 per cent, with most of that increase going to the top 1 per cent. At the same time, they have convinced us that we should fear what they say is the only alternative to doing things their way – an extreme left-wing, centrally planned economy, with government control over much of our industries, and excessive welfare costs. While neither of these extremes are likely to be in the best interests of the majority of us, our polarised MPs are constrained to uphold the MBE, as described above. If only our MPs could be unshackled from control by their parties and their ideologies, we could initiate a proper debate between the population and their political representatives to find out and implement the real common sense wishes of we, the people. As detailed in Chapter One, there is no reason why the government shouldn't provide the necessary investment in other people's businesses, whilst leaving the management of those businesses to the people who actually understand them (i.e. the entrepreneurs who set them up, if they are still there, and those who work in them). That's what the MBE does anyway. Instead of the benefits of success going to the 1 per cent of us they would be going to all of us.

I just can't believe that all of those individuals who aspire to serve their country by becoming an MP are so polarised in their beliefs that a majority of them do not wish to find the centre ground. As we shall see in Chapter Four, it's in the natural order of things to follow a bell curve, or a normal distribution as we physicists call it. Why do so many politicians have to describe themselves as centre right or centre left, when they could just say centre? Because, to get elected they are encouraged to sign up to one of the two main parties, which are both obliged to dance to the tune of the MBE rather than to that of the public. It's been said that parties and party discipline are essential to the effective operation of parliament,¹² but I can only find assertion as opposed to argument to support that notion.

Whereas individual MPs will inevitably lean either to the right or the left as we all do, there's no reason as far as I can see why it's the parties that form governments, headed by their, not our, chosen leader. Surely, if we, the people, are meant to be what it's all about, then *all* of our MPs should get to choose our prime minister. He or she could then form a government comprising MPs from around the centre, leaving the opposition and scrutiny to come from the extremes of left and right in order to keep them honest. MPs could then vote on issues as they saw fit after having considered input from their constituents, possibly obtained via some form of deliberation chambers. This would bring us closer to managing the country on a bottom-up basis, whereby those who lead can only do so with the continuing support of the people. It would not only be more democratic but also allow for concerted action to wrest the economy from the control of the rich and powerful of the MBE. They'd no longer be able to divide and rule as they do at present.

You may well ask, 'Is this pie in the sky, or could it really happen?' The answer really depends on how many of us are willing to take a serious interest and whether enough aspiring politicians are prepared to campaign for it in preference to the blind pursuit of party loyalty. Whereas I'd have thought it pie in the sky for most of my life, I think there's an increasing appetite for change in this kind of direction. Also, such change is always more likely to take place following great turmoil. For example, the introduction of the welfare state took

place in the wake of World War II, when people were demanding something better. While not as dramatic as that war, the 2007/8 financial crisis, Brexit and Covid-19 have all created turmoil in the UK. Once again, people are looking for something better.

According to a survey by the Hansard Society,²⁰ 85 per cent of us feel we have little to no influence over national decisions. Perhaps it's little wonder that over the last 70 years membership of the traditional political parties is down from about 10 to 1 percent. Nevertheless, our interest in politics and desire for something better is actually growing. This is evidenced by a number of factors. There are increasing demands for more local control over local matters including local economies. One of the most obvious manifestations of this is the push for independence in Scotland. The message is clear: we are fed up with the top-down management from London and want to have more say in what happens to us. There is a noticeable growth of political engagement via social media, particularly from the younger generations who want to be listened to.²¹ The appearance of new political parties, or groupings, is another important indicator. Whilst some of them have been short-lived, some have gained significant political influence. Here, I am thinking of the Green Party, which is neither left nor right, and UKIP which was unashamedly right. Finally, at the national level, I should mention More United, which is not a party, but a movement dedicated to a more united centrist form of cross-party politics that now has the support of 64 MPs from six different parties, including both Conservative and Labour. These MPs are driven more by a set of common values than their individual party ideologies. You will find more about them in Chapter Eight.

At national level, nothing has yet dented the stranglehold of the two main parties over central government and, in turn, the grip that the MBE has over their economic policies. However, at the very local level, real changes are actually taking place led by groups such as the Independents For Frome (IFF). IFF has demonstrated growing support over three town council election cycles. It is not a political party but a group of individuals who have signed up to a way of doing things, chief of which is to involve the people of Frome in

deciding what they want. IFF's achievements have not gone unnoticed, gaining national media coverage with the formation of an online movement known as Flatpack Democracy. This has encouraged the formation of more independent council groups, initially in neighbouring councils, but their influence is now spreading further. Again, I will speak about this in more detail in Chapter Eight.

There's undoubtedly a growing appetite for change in the way our country is managed. We don't like the increasing inequalities in our society. We don't like an underfunded NHS. We don't like bankers' bonuses, or offshore tax havens. We don't like the threat of nationalisation. We wouldn't need to endure this situation if we lived in a true democracy in which we, the people, were the government and our representatives listened and responded to our views. We have to change from living in a plutocracy controlled by the rich and powerful. If we followed the principles of Flatpack Democracy and More United, we'd have the power to do so too.

It won't be easy. What the plutocrats have done so effectively is to cast the government as if it were independent of the people. They want us to see it as 'them, the Government' and not 'we, the people'. They further cast themselves as the only ones who can stop the government from misspending and poorly managing the people's money. (This totally ignores the fact the money is only a concept and not a real commodity. Also, as Modern Monetary Theory²² has clearly shown, the government has an inexhaustible supply of money. It can just print it. Nobody else can.) The plutocrats argue that by letting them invest in businesses for profit, they will be better managed and therefore good for all of us. There are two things about this that are patently untrue. Firstly, investors have no more idea about managing any specific business than the government has, and whilst the profit concept is important, it's not the sole criterion for good management. Secondly, profits go to the investors and not to all of us. There is, in fact, no reason why the government shouldn't make exactly the same investment on behalf of us all, whilst leaving the management in the hands of those that work in the businesses. I would argue that they should do the same for services like the NHS, which are totally funded by the

government. If we, the people, are the government, we should trust ourselves to manage the bits we know best. Our government's role is not to micromanage our economy, but to facilitate it through investment where necessary and to keep it in balance through debate and widespread consultation. It should not be about what the government in isolation wants to do, but about what we, the people, want to do, limited only by our ingenuity and ability to actually do it. We are limited not by the concept of money but by our combined abilities to do the work with the available resources and time at our disposal.

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The Cost of Profit

How it consumes our dreams

Having managed both a public and a private company, I saw at first hand the very significant difference between running an entrepreneurial private company, which was driven by the real-world market for the company's products and the reality of technical innovation, versus the demands of a public company which is purely driven by stock market demand for growth and profit. I can tell you now, the two were light years apart.

Ron Burbeck and I originally established JK Lasers on the twin bases that there had to be a better way of running a laser company and that we should never fool ourselves if we failed to find it. Be smart, not clever, was our guiding thought. The motivation behind starting a private company was more about self-belief than becoming rich. Just like anyone who founds a business, that self-belief extended to the desire to be financially successful, otherwise one wouldn't do it. (It is, after all, a bit pointless if you believe that you'd be worse off than in paid employment.) However, of equal importance was the belief that our ideas were sound and that things could be done better than they were being done by others. I doubt that Bill Gates ever considered being, or ever even wanted to be, the richest man in the world. His driving force was the desire to show the world how computers could be useful for ordinary people. The same probably went for the founders of Apple, Amazon, Google and Facebook, when they thought about their respective core concepts, as well as countless other enterprises.

Fortunately for me, JK Lasers was set up before the end of the 'Downton

Abbey' style of capitalism which I referred to earlier. This was where the financial aristocracy were still willing to acknowledge that they had a responsibility to assist the progress of the rest of society, rather than focusing solely on their own enrichment. Certainly, the investment managers we worked with took a personal interest in the business and were keen to help in any way they could. The same went with our private investors.

The beginning of my wake-up call that the environment had changed very much, and that Downton Abbey had been consigned to the history books, occurred when JK Lasers merged with a listed company called Lumonics. We'd taken the decision to seek a partner because, while the world of lasers was international, it was only a small, albeit growing, market that could not provide a living for all the emergent laser manufacturers. We'd wanted to gain better access to the North American market and after discussions with several US manufacturers, including two in Silicon Valley, we opted to merge JK Lasers's interests with those of Lumonics Inc of Canada, which had just opened a US facility near Phoenix, Arizona. The terms of the deal involved Lumonics acquiring JK Lasers, since Lumonics had been listed on the Toronto stock exchange a year earlier. I thus became a director of a public company which, at that time, was the third largest laser manufacturer in the world.

Almost overnight, I was introduced to a very different environment. Our original driving force to transform the world of lasers was superseded by a strategy that prioritised growth and profits at all costs. The differences between my former life steering the growth at JK Lasers and my new role at a public company were significant and noticeable on a day-to-day basis. At JK Lasers we'd always had a simple philosophy of delivering what we said, at the time we said, for the price we said. Clearly, this involved quoting prices that would enable us to make a profit in order to stay in business, but it also meant that we didn't chase business at prices at which we couldn't make a profit just in order to boost our sales volume. In other words, we managed the business in a common sense way. At Lumonics, on the other hand, growth and therefore sales volume, was the name of the game. There was constant pressure on the team to show year-on-year sales growth, regardless of future strategic

consequences, like losing the ability to provide good service to a remote customer.

Board meetings were another big point of difference. At JK Lasers, the focus had always been on the progress in the production of the orders we had and discussions around the quotations that were under discussion. Could we deliver on time? Were there any potential technical problems? If so, could we overcome them? Did we need to speak with the customer? Did our team have the necessary resources and backup? Board meetings at Lumonics had a completely different trajectory. The single-minded focus each time was: what were the last quarter's financial results and what were the expectations for the next quarter?

At first, it did not bother me too much. The business fundamentals behind joining Lumonics were still sound. JK Lasers's products had been successful against US competition in Europe and they were now becoming equally successful in North America. The results were good. The share price rose. Over the next six years, my role fell into two key areas. The first was in the very significant expansion of JK Lasers to become a world leader in the industrial application of YAG lasers. The second, which took an increasing amount of my time, was in being part of the corporate office team negotiating a series of acquisitions to help grow Lumonics into a mini-multinational group of companies. The share price continued to rise with each acquisition, and what's not to like about that?

As time rumbled on though, I began to feel uncomfortable about the relentless drive for growth. I came to the realisation that it didn't appear to matter if we built the best laser ever, or found a novel (yet legal) way to avoid taxes, or even entered an entirely different market altogether, it was all the same to the board. As long as what we did produced the desired results, more profit, that was the number-one goal. Nothing else was important. I had been sucked into the Money Breeder Economy and become part of the capitalist financial system. It's the way the western world is and now I was slap bang in the centre of it.

The progress of the business was now entirely governed by market

expectations. And no, not the market for lasers. It was subject to the demands of the Money Breeder Market. The rules here are simple and unyielding. If a business can do x much for this quarter, or this year, it must be able to do better next quarter, or year, otherwise the share price will fall. And therein lies the core of the issue. Public company share prices are not a reflection of the *actual value* of a company, only the expectation of growth and increased earnings – or the opposite.

What's infuriating is the fact that no one ever seems to question the logic behind this anomaly. In fact, when anyone does, they're quickly dismissed. This was certainly my experience when I raised this very point at a board meeting and was sharply rebuffed, even mocked, by one of our non-executives, Moe Closs, the President and CEO of Chrysler Canada. He insisted there was no such thing as an intrinsic value for Lumonics. I completely disagreed and, needless to say, a very robust discussion ensued where I did my best to argue that it is the intrinsic rather than the market value that really matters.

The basis for my argument was this: the intrinsic value of a commercial enterprise is the true net tangible assets within the company plus the skills of its employees. However, some businesses have no net tangible, real assets, whilst others have veritable cash mountains. Yet, in both cases, the stock market valuation is determined by how much the greedy, top-tier, 1 per cent anticipates making out of it via receipt of dividends and/or capital gain. The share price falls when their expectation falls, because they sell their shares in order to buy other shares which they think will better meet their financial goals. Or, if the market is looking shaky in difficult economic times, they'll make other investments deemed more likely to preserve their wealth. In either case, the intrinsic value of the company hasn't changed. When it does change, say because of expansion or the success or failure of a new product, the rate of change is rarely anything close to the same rate as the stock price. Why? Because companies have momentum, which cannot be changed quickly, whether the path is upward or downward.

It was and still is my strong opinion that such a mismatch between true and perceived value can never last. This was certainly borne out by the fate of

Lumonics which eventually became victim to such shareholder-centric decision-making. The pressure to generate perpetual growth led to some less-than-wise acquisition decisions and a tendency to market new products before they were fully developed and technically supportable in the field. Inevitably, the financial results suffered, which prompted shareholder concern, leading to an immediate fall in the share price. It didn't help Lumonics's case that there were changes afoot within one of its earliest major investors, a venture fund set up and run by one of Canada's oldest timber and paper companies. That business and its board had been hugely supportive of Lumonics from the beginning, but it was acquired by Noranda, a large mining and metal conglomerate, led by a former financial analyst known for his aggressive takeover tactics. With Lumonics's share price heading in the wrong direction, there was little sentiment left. Since Noranda had inherited a large shareholding, it was inevitable that Lumonics would be put up for sale to the highest bidder and it was. It was at this point that I learned another hard lesson about how the MBE does not always work in the best long-term interests of the companies that faithfully serve it year after year. While there were several suitor companies that would have made a good strategic fit, the highest bid came from Sumitomo Heavy Industries (SHI). I was a lone voice in the boardroom in opposing the acceptance of this bid. I reasoned that it was not in the company's best long-term interests and that better strategic options existed. Unfortunately, those options came at a lower offer price. Despite the fact that I obtained independent legal advice to support my view that a director's primary duty is to the welfare of the company (i.e. not the shareholders), I was outvoted. Money, rather than business sense, won the day. I made a last-ditch attempt to lead a rescue attempt of my own, by trying to raise funds in London to make a competitive bid, but failed. Disappointed about what might have been, I resigned my position as vice-chairman of the company.

There's an interesting footnote to this story. A few years after the takeover, SHI realised their mistake and re-marketed the company. The sale resulted in mixed fortunes for the various subsidiaries that Lumonics had acquired, but,

fortuitously, the JK Lasers part of the business has ended up in the hands of one of the more appropriate suitor companies. At least, in that respect, there was a happy ending.

Public versus private

Having lived the experience, what can I share with you about what I learnt? Well, it may help to make a comparison between working for a public and private company. Before Lumonics, my company shared the philosophy of many private firms, where 'doing their best at what they do' is the primary motive. Of course, private businesses have to remain solvent, but they can concentrate on managing the real business that exists. Their managements don't have to get on the treadmill of prioritising short-term at the expense of long-term performance, or even of steady success. It can recognise the validity of other stakeholder interests, including the workforce. I certainly enjoyed my job when I wasn't being exposed to the pressure of a daily stock market valuation.

Private companies can also make decisions that don't leave anyone out of pocket. This wasn't something I had direct experiences of, but I recall being very touched by a story about a lovely small business that I knew, Sagar Marine, which built small barges for use on the Thames and other rivers around Europe. Sadly, the market for this type of boat faltered and, after due consideration, its founder, Stephen Sagar decided to close it down. He told his local newspaper, 'We decided to go into voluntary liquidation, so all the suppliers and customers have been paid and no one has been left out of pocket. I am more disappointed about the five redundancies we made as most of them had been with the company for at least 25 years.'²³ What a far cry from the attitude displayed by the boards of many public companies.

There's perhaps something to be said here about the legal distinction between the ownership rights of a business, which does have a bearing on how it's run. On incorporation, a company becomes a separate legal entity (technically a legal person) having its own rights and obligations. This creates an interesting distinction between companies having external shareholders and

one where ownership is wholly concentrated within the business. In the latter, the control and organisation of the company comes from within; the legal person. It has its own mind, to look after its own interests, whatever the division of interests within the company. In the former, and particularly in the case of a publicly traded company, the external shareholders are mere owners, or part owners, of a legal entity/person and only interested in seeking personal benefit from the work of that person. You could look at it as, in effect, corporate slavery. When one corporate slave falters, they dump it and buy a fitter one!

In general, private companies consistently add value to the real economy by providing goods and services we actually need. They can veer and haul according to the needs of the real market. This is the polar opposite of what happens at a public stock company. While there may well be an instinct to direct the business in the best long-term interests of the company (as there was in my case at Lumonics), the MBE will always be wholly focused on the best short-term interests of the shareholders and will make its feelings known to the board.

Ever since joint-stock companies were formed, they've been exploited by the rich to extract personal wealth from the ideas and work of others. Little thought is given to the rights of these others (i.e. the entrepreneurs, company founders and their employees) who develop and produce goods and services for the benefit of society and who should, rightly, reap the benefits and rewards of their efforts and flair.

Turbocharged wealth extraction

Richard Hakluyt was right. The sixteenth-century writer had speculated that if the government had taken over responsibility for the necessary investment in the development of the colonies, this inherently skewed process of wealth extraction would never have existed. It would, in turn, have led to a much more cohesive society that avoided much of the rivalry, fraud and envy that Hakluyt foretold as being endemic in the profit motive of wealthy individuals. Obviously, addiction to wealth and power is an age-old affliction! Of course,

once the system takes hold it is very difficult to change. Indeed, according to addiction experts, a dependence on wealth is very similar to other addictions in that it is very, very difficult to give up. Meanwhile, wealth and power continue to be frequent bedfellows, perhaps because one often begets the other. Zimbabwean ex-President Robert Mugabe was a perfect example of a powerful political leader who sought personal wealth, while Rupert Murdoch has used his wealth to exercise considerable power over successive governments.

One of the saddest things is that the supposed necessity of investment by the few (i.e. the rich) has been embraced by the many, generation after generation. Despite his socialist agenda, Tony Blair found the need not only to embrace the City of London, but also to seek the support of Rupert Murdoch. Since I'm writing this during the height of the coronavirus Covid-19 crisis, I can't help speculating about the massive investment which is currently being made by governments by printing money. This is, of course, to stave off bad times. But, you may ask, why don't they think this way during the good times?

What about turning this profit-at-all-costs motive on its head and calling a halt to the process where profit always goes to the already wealthy, rather than society as a whole?

I'm not hopeful of changes any time soon unless we can change the system. Not only is it a case of 'twas ever thus' with the current system, but it is also actually getting worse. The markets are forever dreaming up ways to make the hard work of others ever more profitable for the non-working shareholders. Over the past half-century, we've seen rapid growth in the venture capital industry, as well as the opening of new public markets for trading shares, such as the NASDAQ exchange in New York in 1971 and, to a lesser extent, the AIM market in London. In fact, the NASDAQ has become the home for high tech shares and is now larger than the London Stock Market in terms of the market capitalisation of the shares traded. The combined might of all these developments has vastly expanded the ranks of public companies available for wealth extraction by the rich. Yes, it's true that this process has also created unimaginable wealth for many of the innovators of new ideas and products, but by no means all. And certainly not for the millions who work tirelessly to

make sure those profits at all costs are delivered.

It seems the system is designed to extract the maximum amount of wealth for the already rich every step of the way. Take venture capitalism as an example. Venture capitalists thrive by seeking out those with ideas likely to generate a profitable business with high growth potential. Their primary aim in investing in them is to achieve a large profit at the time of what they call 'exit'. Ideally, this means floating businesses on stock markets by what is known as an Initial Public Offering (IPO) from which they, as well as the actual entrepreneur, can make a huge profit, before the business takes up its place as a money generator for regular stock market investors. Fantastic, you may think. What a great opportunity for entrepreneurs and it means that innovative businesses get investment. But it will have changed the prime motivational force within the business for ever. The dreams may live on for a while, but almost inevitably, financial motivation and control takes over. It's the way the system works.

In recent times many of these venture capital organisations have been entirely focused on exploiting what are known as 'platform opportunities' on the worldwide web. These are so-called disruptive businesses that fundamentally change existing linear business models. For this, think of how Amazon changed online shopping, Uber changed taxi rides and Airbnb transformed the holiday market. The way venture capitalists have single-mindedly pursued these platform opportunities, with the goal of ruthlessly extracting money from both the public and smaller businesses that serve them, has led to accusations that they've acted as little more than modern-day highwaymen. Further unearned wealth is created by high-priced takeovers, as they manoeuvre in a bid to attain effective monopoly positions in key sectors. This leaves others with no choice other than to pay the tolls extracted by these huge corporations.

Again, the profound unfairness of the current system we find ourselves labouring under seems obvious. None of these financiers were responsible for the existence of the worldwide web where they have placed their tollbooths. That innovation was developed by public research institutions in both the USA

and Europe. The MBE simply saw a golden new opportunity to make even more money and went for it. One can't help but be reminded of the fact that the original intention of the public research bodies was for a more equitable use of the internet. There are proven ways to achieve this too. The Linux operating system and websites such as Wikipedia have proven that they are just as useful as other web-based services, perhaps more so, yet they are run as cooperative, not-for-profit organisations. It doesn't have to be all about profit.

It might be helpful to spell out just how unfair the system is by using two current examples. The first is the British company Just Eat which, from small beginnings in Holland, obtained venture capital funding, found its exit via an IPO on the London Stock Market and has gone on to become a multinational company through subsequent acquisitions. The strategy was to obtain a monopolistic-style hold over take-home meal deliveries, although as I write it has itself just been acquired by Takeaway.com for a deal valued at £9 billion. It is a deal which will no doubt make the new joint entity even more dominant. What is most interesting here is that the last available balance sheet of June 2019, showed that Just Eat only had assets of about £810 million, of which £786 million were called goodwill and £140 million were described as intangible. In other words, there were no *real assets* at all to support the more than substantial £9 billion valuation. That price was entirely based on the expectation of future profits that can be earned by the Just Eat highwayman who stands between the myriad of restaurants that prepare the meals being ordered through the platform and the public who consume them. Just Eat charge the restaurants to use their platform and earn a significant percentage from all the food delivered. In between all of this, we have the alleged 'independent' deliverers who scrape by on the minimal wage they earn in the gig economy.

It can't be denied that Just Eat is meeting a real market need for home delivery of meals. However, there is a strong argument that this service shouldn't solely be a source of increased wealth for the rich, when the same platform could have been developed to benefit those who actually supply the service, such as the restaurant staff who prepare the meals and the delivery

workers who bring them to your door. Surely, they are the ones who rightfully own the goodwill! (All £786 million of it, or 97 per cent of the book value!)

While Just Eat is an example of a company short of real assets, my second example, Facebook, is a company that has more cash than it actually needs. After several rounds of venture funding, it finally made an IPO on the NASDAQ exchange in 2012. That process not only raised US\$16 billion, but also valued the company at US\$104 billion, the highest-ever value of a newly listed public company. Now, Facebook didn't actually need all of that money, but raised it because it could, as well as to satisfy the voracious demand from the investment community. It then had the luxurious decision as to what to do with all that excess cash and, naturally, decided to become part of the MBE by investing in other companies which therefore further increased its own income and valuation. It was another classic example of even more of something for doing nothing. Facebook now generates an annual income for its investors of close to US\$20 billion, all of which ultimately comes from its users. Yet, if you look at it in a completely dispassionate way, it's still only a platform (albeit a very clever one), or tollbooth on the web.

None of this is to denigrate the phenomenal success of Face-book, which is admired and appreciated by millions of users around the world. Similarly, it would be wrong to criticise the original founders of these companies and the many early employees who became rich through this financial leverage. They were all exposed to an opportunity that was too good to miss and were drawn along by those who control the MBE. It's the system that we should question. Could any of these businesses have been just as successful for their users and suppliers without all of the financial engineering that has enabled them to obtain a virtual monopolistic position?

The counter argument you may hear from venture capitalists is that not all their investments turn out this well. Basically, it's a numbers game. VCs count on the fact that just one, perhaps two, of the enterprises they invest in will ever reach any scale. Out of every 150 start-ups they consider (and they pass over opportunities to see many hundreds more), they'll only even consider 10 as worthy of a second glance.²⁴ If they do agree to put money into those 10, they

know that three will go under, possibly fairly rapidly. As soon as they show signs of this, all help and support for such businesses is swiftly withdrawn. A further four will most likely be sold for less than the original investment, again with little input or choice on behalf of the founder. Of the remaining three, at least two will be sold at a small profit, but no more than twice the initial stake. That leaves one, solitary investment out of the 150 they originally agreed to see, and the 10 they subsequently invested in, that will pay any sort of substantial return. To put it simply, the VCs back almost all the horses in the race, so they can't lose, whereas only a few of the company founders who have both the luck and the skill at the right time will succeed.

Venture capital has come a long way since I first used to visit Silicon Valley in the late Sixties, which even then was home to a proliferation of high-tech start-ups and the emerging venture capital firms. This was long before IT emerged as the dominant technology of the day. Interestingly, today, many of the most successful initiating investments are made by entrepreneurs who have previously become wealthy from their own start-up company. One wonders whether this is part of the wealth addiction process noted earlier in this chapter.

Performance-driven measurement

What then of the role of company directors in this process? How compliant are they? I've spoken a little of my own feelings when confronted with the profit-at-all-costs mission, but am I a lone voice? Let's look at the facts.

As noted earlier, people perform according to the way in which they're measured. This is the management truism that drives the way our public companies perform today. Quite simply, boards are measured by the stock market and, as we know, the market has only one goal: enhanced shareholder value. The message is delivered loud and clear, right into the boardroom, via the fluctuation in the share price. That number, whether it goes up or down, essentially relates to the collective voices of shareholders which are only concerned about share prices and dividends. Not all voices are the same. Some have louder voices than others, often according to the amount of stock they

hold or control, and they can take different approaches. There are shareholders like Warren Buffet's Berkshire Hathaway multinational holding company, which has a reputation of being a good long-term supporter of companies, many of which it owns outright. On the other hand, others are known as aggressive corporate raiders who thrive by applying pressure. Sir James Goldsmith was a classic example of this. However, whilst some might seem more benign than others, their ultimate goal remains the same; enhanced shareholder value. As I write during the Covid-19 crisis, Warren Buffet has recently sold the entire US\$4 billion stake that Berkshire Hathaway had in the airline industry. So much for long-term support. When the going gets tough, leave it to the government to step in on behalf of we, the people.

Chief executives of public companies are appointed by the respective boards of directors and, for the most part, have their performance measured against the short-term financial performance of the company. In August 2019, a group of 200 high-powered CEOs from some of America's largest corporations collectively declared that 'shareholder value is no longer their main objective' as they published a new definition of the 'purposes of a corporation',²⁵ but I'm not sure anyone is holding their breath for real change any time soon. There have, as yet, been no concrete signs of anything being done to subjugate such value to the better long-term interests of the company. This might sound cynical, but perhaps one of the biggest causes of inaction is a healthy dose of self-interest. After all, CEOs and senior management teams are somewhat encouraged to maximise shareholder value by the provision of very attractive stock option plans. It's in their financial interest to maintain the status quo.

The constant pressure to maintain profit at all costs creates a ruthless, single-minded culture which is then promulgated down the company. Everyone knows what they have to do. Of course, the problem here is that pursuing growth at all costs is not a sustainable strategy. It's simply not possible. However, the people who run these businesses don't let this simple fact of life get in the way and frequently make decisions that seem utterly at odds with what any sensible business strategist would suggest. More often than not, when consolidation or retrenchment are the obvious strategies to pursue,

they do completely the opposite. The British supermarket giant Tesco displayed a classic example of this in recent years. It was the UK pioneer in self-service shopping and expanded aggressively to become the largest UK supermarket chain. Even so, the grocery market has always been a highly competitive one and has been kept so by the competition authorities. In recent years, Tesco has felt the pressure of discounters like Aldi and Lidl breathing down its neck and it's clear that these lower-price supermarkets have attracted a significant share of the market for groceries. Yet the City's demand that profits at Tesco continue to rise is unyielding. It's nonsensical. The UK shopper doesn't need any *more* food overall. We already throw away more food than makes sense. Expansion is not the answer. At some point, rational common sense has to intervene. Someone needs to be brave enough to say that the *raison d'être* of a business is not to constantly get bigger. Might it be sensible, therefore, for Tesco to better manage the reduced market share it now has, rather than to continue to strive to grow bigger?

Off-shore manufacturing is another nonsensical practice that has been spearheaded by public companies in the relentless search for short-term profit growth. Shareholders are either unaware, or simply don't care about the impact on the workers in the UK when companies move the bulk of their operations abroad to low-cost centres. It's not just the personal cost of the inevitable redundancies back home. This strategy has a real impact on the wider economy too, since it negatively affects the national balance of payments. Meanwhile, these canny off-shorers don't seem to realise that they're eroding their own long-term prospects. After all, it doesn't take much foresight to realise that the capable off-shore workers they've employed would soon learn how to produce competitive products of their own by forming their own companies. In fact, it's already happened in multiple instances. Many of these international companies are now successfully competing with UK firms and further damaging the domestic balance of payments. This is not an argument against the benefits of sensible international trade. It's simply to highlight the fact that the pressure on public companies for ever-increasing profits in a globalised marketplace benefits very few people. It's definitely not in the best long-term interests of

society, which needs a fair balance between nations, as well as fairer societies within them.

The pensions myth

There is, of course, another group that is impacted by the race for profit at all costs. This is the silent majority who aren't financiers, or investors, or company executives. When a system is so blatantly not working in our favour, indeed, actively making us worse off, why isn't more being said? Well, here's the clever bit. Somehow, we've all been made to believe in the pensions myth. Over the years, the message has been drummed into the general public that they need to buy into the concept that stock market growth is crucial for everyone, because that's where our pensions are invested. While this statement is factually true, the other truth that doesn't get such an airing is that our pensions would be even better if the MBE wasn't taking a decent slice off them each year via its fees.

Since 2018, it has been compulsory for UK businesses to enrol their eligible workers in a pension scheme. Many millions of workers have been members of schemes that were running well before that date. Pensions are actually deferred payment for work already done and the total value is determined by the combined sum of what the employer and the employee contribute. In the traditional defined benefit schemes, those contributions were put into a mutual trust fund that usually guaranteed an inflation-adjusted income during retirement. Any shortfall is then the responsibility of the employing organisation. Many factors can increase the cost of fulfilling that promise, which, it's argued, can be largely compensated for by investment in the financial market. Curiously, the return on that investment is in reality provided by the dividends paid out of the profits of the employer companies. But that entails an army of highly paid advisors, investment managers, lawyers and accountants who are employed to oversee the extraction of profit from companies in order to return most, but not all, of it to the pension fund.

If anything happens to a business, pensioners are perhaps predictably always at the back of the queue when it comes to receiving what's owed to them. As

we saw with the collapse of British Home Stores (BHS) in 2016, its pensioners were unsecured creditors of the company and had to line up behind all the secured creditors from the MBE. Notwithstanding the sterling work of the trustees to that pension fund, after much battling for the BHS pensioners' rights, the members all had to accept lower benefits than those they were entitled to receive. Meanwhile, BHS's former owner, Philip Green, was still able to retain the majority of his unearned billion-pound dividend from the now defunct clothes store. Some of the BHS staff pension benefits had to be covered by the government-backed Pensions Protection Fund, which is there to protect pensioners when companies become insolvent. It is funded by levies on other pension funds. Most rational people might suggest that it would be far simpler and cheaper for companies to directly and properly fund the Pension Protection Fund as provider of first, not the last, resort. Alternatively, or additionally, wouldn't it be better if pension dividends were given priority over shareholder dividends? After all, the work of the employees has already been completed and should be rewarded accordingly.

There are no signs of any of this change happening any time soon, or indeed any momentum at all towards the changes that so clearly need to be made. The pensions industry is huge and an integral part of the MBE. It shares many of its characteristics too. It doesn't produce anything we need and it doesn't provide a service that couldn't be better provided by a mutual organisation. This is why it's no real surprise that all pension companies, well almost all, converted from mutual societies to become public companies. It was the perfect way to extract value for the private investor of course. The pensions management industry is designed to make a profit every step of the way too. There are, for example, various ways in which actuaries are required to assess the funding level of pension schemes. One is the degree to which, on a prudent basis, the ongoing scheme is fully funded. Another is an assessment of the price at which an insurance company would be prepared to take over all future liabilities of the scheme, known as the buy-out value. The latter assessment can be as much as 30 to 50 per cent higher than the former, which is a good indication of the type of profit expectations of the MBE from

pension funds.

Sadly, the security of the defined benefit scheme in public companies has largely given way to what is known as the defined contribution scheme, whereby each employee has a personal pension fund jointly funded by the employee and the employer. Today, there is no insurance element involved to cope with unknowable life expectancy. So, while it's your personal pension fund, who gets to manage it? Fund managers in the MBE. Individuals can choose the type of fund manager they get, but the fund manager gets to make the investment decisions on their behalf and, of course, charges significant fees.

My own experience of creating a pension scheme for JK Lasers (it was a defined benefit one in those days) and being a trustee for many years, showed me that the subject of pensions is far more complex than described above. However, much of that complexity is deliberate and it is used to obscure the simplicity of what I have described. Granted, some of the complexity has arisen through changes in the law, but I still believe that an awful lot more exists to protect the interests of the pensions industry. There is little to protect us from this unfair system either. One of the few systems in place are pension trustees who are required by the pension regulator to avoid excessive risk and to take professional advice to support pensioners. However, while these trustees are generally fully committed and mean well, they are between a rock and hard place. The scheme I began for the JK Lasers employees seemed fairly simple at the start. It was, I thought, based on good advice. However, as it grew, I was advised that the original advice was no longer appropriate and that the form of investment should change. Was that easy? No. The then scheme provider, Legal & General, wanted a large penalty payment from us before we could move to another more suitable provider. Why? It wasn't their money. It could only have been that they wanted compensation for not being able to earn any more future income from the scheme. Since that time, the scheme has undergone several changes, partly through company ownership changes, but mainly through changes in advisors and the law. Each successive change to the scheme has added complexity and cost. And, guess who the lead investment manager is today? It's Legal & General, who run it out of a very shiny new building in the

City! What a brave new world the elites in the MBE occupy. I must emphasise, it's not the people who are involved in doing the work in the pensions industry who are the issue, but the system. Those I know both work hard and do their best, but nevertheless it's all part of the MBE seeking excessive profits from what should more sensibly be a cost-effective administrative service. Once again, there has to be a better way of doing it!

<https://www.brighthouseecho.co.uk/news/closure-takeoverforce-redundancies-2778446>

<https://medium.com/datadriveninvestor/understanding-startup-valuation-a393f6fad6f>

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Perspectives

The joy of balance

There is no doubt at all that we live in a sharply divided society, perhaps more so today than for quite some years. Politics has polarised sharply to the right and left, 90 per cent of the population are funding the other 10 per cent thanks to the Money Breeder Economy, and a profit-at-all-costs culture takes away from the productive man and woman at every turn. However, what part do we, as individuals, play in this patently unfair system? Are we, unwittingly or otherwise, taking a central role in fuelling the problems we see today? There is an argument that, by simply letting all the inequalities slide, we could be doing just that.

Of course, we're not all turkeys voting for Christmas. No one wants to be worse off, or to see the fruits of their labours go to someone who has done virtually nothing, or indeed nothing at all, to contribute. A great deal of the reason why the gulf between the haves and have-nots is relentlessly widening is down to a question of perspective. We're all prisoners of our genes and experiences in life, which together make up our own particular perspective. In early life, we're most strongly influenced by our family, adopting their political or religious beliefs. As we grow older, our perspective is broadened as we become influenced by our experiences of education, training, jobs, friends and colleagues. Add in a sprinkling of highly persuasive advertising, marketing, political messaging and social media, and we're firmly pushed towards one direction or another. The brain works hard to put all of these elements together and fashion the rich narrative of your reality and your identity. It is what

shapes the real 'you'.²⁶

Once you know the real you, it's very rare for there to be dramatic shifts in your perspective. The reason for this is partly down to the way we think. You may have heard of the phrase fast and slow thinking, which was first coined by Nobel Economic Sciences laureate Daniel Kahneman.²⁷ Fast thinking is instinctive and emotional, while slow thinking is more deliberate and logical. Most people are predominantly fast thinkers. When you answer a question, you answer it with the first thing that comes into your head. It's automatic. It's also the reason why you don't hesitate and wonder what on earth to do next when you look at your spoon in a bowl of breakfast cereal. You unquestioningly know how to use this device by picking it up and starting to spoon cereal into your mouth. If you had to think about it every time, life would be intolerable.

While breakfast is, as they say, the most important meal of the day, it is of no world-changing consequence whether or not you spoon up your cereal on autopilot. However, where this tendency towards fast thinking come what may can become an issue is when it is deployed for more serious matters. Many things in life do require a great deal more slow and considered thought. These are the instances where it's in our own best interests not to make up our minds in a nanosecond. When we see, say, a move by our boss that makes us uncomfortable, or worse still puts us at a distinct disadvantage, we tend immediately to process it and push it out of our heads instead of weighing up how to make a stand against it: *yes, I know this, I've seen it before. It's what he's like.* (Subtext: 'Move on, nothing to see here'. It's not worth interfering in a blatant injustice). But it does matter. When big issues come up that have a direct bearing on your life, this is exactly the time when your thinking needs to slow down, giving you time to think it through. Am I being lied to? And is that right? Perhaps I ought to dig into it more to find out why, and what the liar's agenda is?

Society encourages us to be fast thinkers. Why wouldn't it? It works brilliantly for advertisers and marketeers. They can drum ideas into our heads via relentless repetitive messages, and, before we know it, we are loyal

ambassadors for big brands, because choosing Brand A over Brand B has become an automatic fast thought. It's not just advertisers either. Politicians worked out long ago that they can capitalise on our fast-thinking tendencies to stop us scrutinising too closely things being done 'on our behalf'. Think about Dominic Cummings, the alleged architect of the Brexit campaign and former Downing Street advisor to Boris Johnson. A great deal of his success was based on the fact he is, without a doubt, the three-word expert when it comes to government slogans: Take Back Control! Get Brexit Done! Save Our NHS! These memorable three words are repeated over and over again. Before long, they become an accepted part of our thought process; it must be true!

My own experience of how much slow thinking is not valued by today's fast-thinking society came when I applied for a job with the NHS in Wales. I've always been a somewhat slow thinker by nature. I like to take time before making up my mind. The lengthy health service interview process culminated in a long psychometric profile test, which inevitably highlighted my tendency towards slow thinking. The subsequent report about me was largely positive but questioned somewhat pointedly whether or not I would ever get around to making a decision.

None of this is to say that fast thinking is unimportant. It is, otherwise our days would grind to a halt while we pondered every move. However, not all information is of equal value. We need to have a more effective filter to prevent us from accepting everything unquestioningly, otherwise all information from an authoritative-seeming source will be credited as fact. Once those 'facts' are lodged in our brains, it is very difficult for us to shift our opinions in another direction.

Our perspective on life is also shaped a great deal by our political affiliations, which are, in turn, hugely shaped by our parents' political leanings. Generally, the discussions around the supper table as we grow up form the foundation of whether we tend towards the right or left. I was born into what you might call a *Daily Mail* family. My father was an only child, whose father died before he reached the age of ten. His mother, my grandmother, subsequently remarried and her new husband was in the piano trade. My

father followed in his stepfather's footsteps, but his career path was brought to an abrupt halt by the invention of radio, which somewhat curtailed the nation's interest in hanging around the piano for a nightly sing-song. He subsequently became a factory worker, but despite the change of circumstance, as the breadwinner he always had a strong sense of responsibility towards his family. My mother was one of seven and her parents ran a small off-licence in Leicester. There was no question about the fact that both my hard-working parents were strong supporters of the Conservative Party, although not politically active. As a result, during my formative years, I thought very much what my parents thought. The changing point for me, as it is for many individuals, was when I left home and went to university. At this point, I became somewhat left of centre in my politics, although when I later started a business my friends accused me of becoming a right-wing capitalist! As time has gone on, my political views have moved to the centre, recognising benefits and shortcomings from both sides. However, for many people their politics never stray far from what they learned in childhood.

If you're a staunch Conservative through and through, your perspective will err towards a philosophy of rational self-interest, regardless of the fact that this is based on an entirely undemocratic foundation. Tory supporters wholeheartedly buy into the concept of trickle-down economics, with its central theme that anyone can become rich and successful with a lot of hard work. While most Tories would not consider themselves greedy, and I'm sure they don't intend to be, this perspective relies on an undercurrent of greed and self-interest. It is also greatly underpinned by the fact that no one scrutinises the reality too closely because it's quite unusual for anyone to truly benefit from trickle-down. Just because one person has, it doesn't follow that *everyone* will. Far from it, in fact. But that is why fast thinking works so well to politicians' advantage. No one stops to think about it and weigh up the odds. Thus, any Conservative government is given carte blanche to pursue policies that *appear* to favour a 'free market' that benefits everyone, but in reality only looks after the fortunate few.

On the other side of the political divide is the Labour Party. At the core of

the socialist perspective is welfare towards others who are less fortunate. On the surface, it's heartening that most Labour Party politicians appear to fully subscribe to this ideal, particularly since many, including the current leader, Keir Starmer, could put themselves first by getting considerably higher-paid jobs elsewhere. Yet, there are also signs, as we saw in Chapter Two, that for all the best intentions, socialist politics can become somewhat watered down under pressure from the financial market forces of the MBE. So much for good intentions. Again, this situation is allowed to endure because the majority of the electorate doesn't think about it long enough to scrutinise it too closely. When almost everyone remains silent, there is very little impetus for change.

Limited options

In fairness to the voting public, whatever our personal perspective on politics, we get very little say in the matter anyhow. Our voting options are very much forced into a bimodal distribution model (see figure 1). Basically, we have the choice of one party or the other, right or left, when it comes to voting, as least as far as it goes towards opting for anyone with a realistic chance of taking power. It matters little if your politics soften as you go to university, or bank your first pay cheque, or start your own family. Regardless of whether or not you lean towards the centre, your perspective would have to change substantially to force you to flip over to the other bump in the curve. Even then, it's a very black-and-white choice. *All* the policies of the right, or *all* the policies of the left. The result? Everyone is less than happy and less engaged than ever with the political process. This in turn encourages more fast thinking: *tick that box, we know what to expect*. No one pauses to consider that, to have true democracy, we need to give politics legitimacy and be able to fully engage with the development of individual policies. We need a pick-and-mix option.

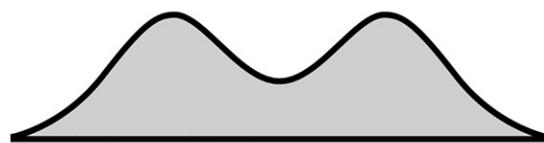


Figure 1. Bimodial distribution curve

Another key factor in our personal perspective is the extent of our motivation towards helping ourselves, as opposed to helping others. In other words, how selfish are we? How much do we really want to change the status quo? It is often said that human beings are inherently selfish and only interested in looking after number one, and it is true that we are all, indeed, selfish to some extent. ‘What’s in it for me?’ (WIFM) is alive and well in most of us, but saying everyone is selfish can be a bit of a catch-all description. If you think about it (slowly!) you’ll realise that some people are far more selfish than others. If you wanted to look at it in the extreme, you could view a suicide bomber as being at the most selfless end of the spectrum, since they have absolutely no interest in his or her own life. Meanwhile, in pole position for someone who is the most selfish could be Bernie Madoff who ran the renowned giant Ponzi scheme that ruthlessly defrauded victims of billions of pounds. Both are reprehensible, but it illustrates the point. The degree to which our own self-interest governs our thinking varies enormously. What is normal, you might ask? Physics has taught me that most things in life follow what is called a normal distribution, more familiarly known as the bell curve as shown in Figure 2.



Figure 2. Bell Curve (normal distribution)

The majority sit far away from the extremes, settling around the midpoint. This is in marked contrast to the shape of Figure 1, and suggests that we really would like the option that is denied to us by the polarised political system.

Yes, as well as caring about ourselves, we do care about others and, again to a greater or lesser extent, as individuals with a similar bell curve distribution. This was clearly demonstrated during the Covid-19 pandemic outbreak when millions rushed to volunteer and help out the NHS, or even just to get shopping for a neighbour. It is perhaps no coincidence that the lockdown gave everyone time to slow down, pause and think about what was important. I suspect this was the trigger for many to re-set and become less about me, me, me and more about the good of society as a whole. Apart from anything else, selflessness and compassion are good for our own state of mind. Altruism is perhaps the glue that joins us human beings. As the Dalai Lama says: ‘The more we care for the happiness of others, the greater our own sense of well-being becomes.’²⁸

Our level of selfishness, at least in the pre-lockdown world, is greatly governed by our personal needs. These are eloquently expressed by Maslow’s hierarchy of needs, as shown in figure 3. Here, human needs are expressed on a five-tier model. The lowest levels of need in the hierarchy must be satisfied before one can satisfy the ones higher up the pyramid.

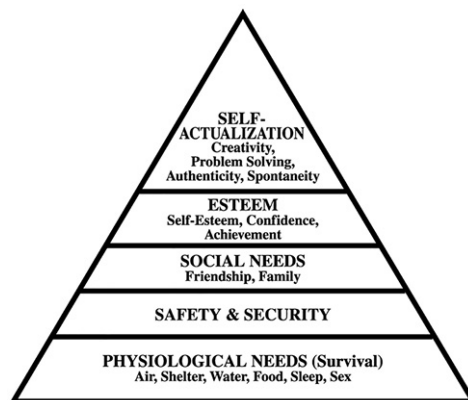


Figure 3. Maslow’s hierarchy of needs

The first four levels on the pyramid are often referred to as ‘deficiency’ needs, while the top one is known as growth or ‘being’ needs. As the name suggests, deficiency needs are prompted by deprivation, or lack of something. The motivation to satisfy these aspects of our lives becomes stronger, the longer they’re unmet. When the deficit on one tier is more or less satisfied, we can

direct our attention towards meeting the next set of needs. The goal is to reach the top level of the pyramid where we can work on meeting our ambitions to be the best we can be.

Where does our selfishness, or selflessness, fit on the Maslow pyramid? Arguably, you might guess that we're likely to be inherently more selfish at the bottom level and become less so as we're able to progress up the pyramid. It would make sense for those without food and shelter to aggressively fight for those essentials. However, research suggests that is not necessarily the case, with some studies showing that the rich are more self-interested than the poor. Perhaps it's a learned response from the past, when the strongest in battle took power and the trappings that went with it, whilst the losers banded together to find and share what succour they could. However, once the physiological and security needs are sufficiently satisfied, it's clear that Maslow saw the need for us to collaborate rather than to fight. At the middle level he suggests that our psychological needs are for a good close relationship, a group of great friends, being part of a community and a feeling of connection with others. The fourth level, which says we need to develop self-esteem, also notes that this can only be achieved by the mutual process of respecting others and gaining their respect in return. It is only by doing this that we can aspire to the final level of Maslow's pyramid, achieving self-actualisation which is a sense of personal fulfilment and contentment. You could interpret this as being as close to true happiness as humanly possible. (This is quite distinct from the happiness we feel when having fun, which is a temporary absence of concerns due to pleasurable activities of a short-lived nature.)

I've summarised all of this in another way by borrowing (like many others) from the Boston Consulting Group's 2 x 2 matrix style of presentation that was developed to simplify the strategic analysis of a business. This is shown in Figure 4, below, where I've chosen to label the four boxes Needy, Greedy, Happy and Holy. At the same time, the x-axis plots our motivation to help OTHERS, while the y-axis plots our motivation to help OURSELVES. We all sit somewhere in one of these boxes, but where? Those people at the peak of

the curve in Figure 2 will sit along what I call the Maslow line, at 45 degrees to both axes. Just how far up that line will depend on how well their needs have been met. Those still struggling to meet the basic needs of food, warmth, shelter and security will be in the Needy box, while those who've reached their fullest self-actualisation will be at the top right of the Happy box. Those sitting either side of the peak in Figure 2 will either sit above the Maslow line, if they are more selfish than average, whilst those who are less selfish will sit below it. Most will still be in the Happy box. However, the 'few people' and perhaps a fraction of the 'some people' sitting at either end of the curve in Figure 2 will be in the Greedy and Holy boxes. I have not used the term Holy to imply any religious significance, but to indicate those who espouse moral causes, or positions they believe we should all follow for the sake of OTHERS in order to improve our society. In other words, it's the exact opposite of those in the Greedy box who espouse the belief that society is best served by us all following our own self-interest.

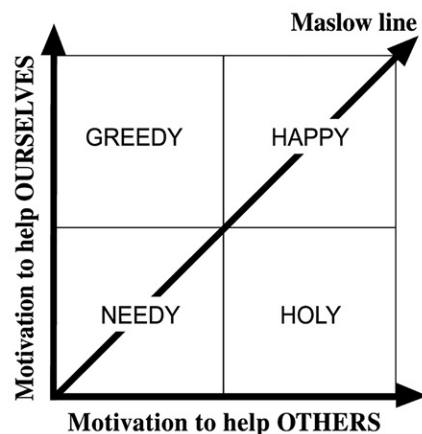


Figure 4. Motivation Priority matrix

I would like to think that most of us in the UK are either in, or would aspire to be within, the Happy box. We don't all need to be the same, as if there's a perfect answer. In fact, we need people to be different and to want to do different things. We can't all be brain surgeons! It shouldn't matter whether we're above or below the line, so long as we are happy to embrace both sides of it and recognise the multitude of different talents that people possess.

However, more and more reports suggest that we're not as happy as we might expect to be from this kind of thinking. This, I believe, is because we're pulled away from congregating around the middle of the Happy box by the exhortations of the relatively small minorities in the Greedy and Holy boxes. I say pulled, but in reality, it is more probably pushed away from the middle by the fears of the extremes of those exhortations. What we end up as is a divided society, as symbolised in Figure 1.

Surely this demonstrates that there must be something very wrong with a political system that not only lets this happen, but also positively supports this polarisation. It's certainly not the outcome of what would be a truly democratic approach. Rather, it's a clear result of the misuse of money, as outlined in Chapter One, which is employed by the plutocracy masquerading as a democracy that was discussed in Chapter Two. They have bamboozled us into believing that we're best served by seeking national wealth as measured by GDP in monetary terms and that such wealth can continue to grow and provide prosperity and a happier life for everyone. Nothing is further from the truth. Such growth is using up the very limited resources we have in the UK, let alone the planet, while the monetary rewards increasingly go to the 1 per cent, exacerbating the sins of greed and envy. Money certainly doesn't, as the saying goes, buy happiness although the lack of a sufficient amount can be a barrier to it.

What is happiness, anyway?

Ultimately, what we are all looking for is a spot in the happiness part of the matrix. You don't have to take my word for this either. If you listen to music, the vast majority of songs in whatever genre, whether pop, country, hip hop or folk, are about happiness, love and hope, not greed and hatred. Those songs appeal to us because that is what we're really concerned about. Meanwhile, the government operates as if it thinks that we are all more concerned about the economic growth of the country even though it only really benefits the few.

While I err on the side of cynicism when it comes to the 'happiness market', there are signs that it is, at least, looking at things from the right

direction. (Politicians take note!) I certainly agree with the stance taken in *The Lost Art of Being Happy*,²⁹ where the author argues that happiness results not from the pursuit of it, but from the habits of our inner lives and the way we respond to events. The book advocates particular inner life skills which we can learn and, above all, practise in order to live more happily. The first of these is mindfulness, which is more difficult to explain than it is to practice. I found a great teacher and, after trying it, I'd say I fully recommend it. It even set me on the road to writing this book. The other skills turned out to be ones I already practised to some extent, so the book really taught me why I was happy rather than how to be happy.

Anyway, this brings us back to the Maslow viewpoint, that if we want to be happy, we need to think of others. Those who don't, or constantly and doggedly pursue 'more', as in more money, or more possessions, will never know true happiness. I'm constantly reminded of those I've met in my professional career who've suffered on a personal level, along with those around them, because they just don't get this. These are people who are undeniably talented and intelligent and seem to have it all professionally and personally, yet can't seem to be happy or fully satisfied with their lives. They always seem to want more of something or other without actually thinking about why. I became a mentor and friend to one such person when, after consulting for one business he had founded, he asked me to become chairman of another. He was a brilliant entrepreneur who was into both technology and the market requirements. His first company, which had developed an innovative new product, had been acquired by an international market leader, which then didn't move fast enough for my friend to stay and satisfy his dreams. His second company developed an even more innovative product that was superior to the first one, resulting in a spurious high court patent challenge by the purchaser of the first company in an attempt to stop the new product being marketed by the world leader in the particular product area. (Incidentally, this was a prime example of how wealthy companies readily abuse the courts to pursue commercial ends, when they readily admitted in court they had no claim on the clever bit which was the basis of the new product.) After a long

trial, my friend's company not only prevailed but was subsequently acquired by the world leader. He was of course jubilant at these outcomes after what had been a very stressful period in his life. His honour and ability as an entrepreneur had been vindicated at the highest level and he was richer by several million pounds. Yet, he confessed, 'Jim, it doesn't make me happy. Why?' I even sent him a copy of *The Lost Art of Being Happy*, but sadly to no avail. However, what this experience does illustrate is that the continuous and successful pursuit of personal goals and winning in the business world is not the route to a contented and happy life. Yes, there has to be a better way.

Human beings are social creatures and enjoy being part of a community. There's a recognition that we work better as a team. This is why every children's cartoon ever made always seems to drive the teamwork message home. Yet, within this message of cooperation, there's an implicit understanding that we're not all the same. It's right that we have different skills and talents. We need carers and we need doers and we need people to push things to make the big breakthroughs. The unifying motivation is when we do things better together, we're all happier. Working together as a community means that, collectively, we can embrace what Carl Jung described as part of our collective unconscious of knowing right from wrong. People who don't are, thankfully, still in the minority. If we return to the earlier figure of the bell curve, the majority of individuals have a clear moral sense. This was demonstrated very well in 2020, when most people willingly followed social distancing rules. (I agree with the notion that it should have been called physical distancing, since no one wanted to be socially divided. We just had no choice.) Where it all begins to unravel comes down to the competitive nature of human beings, which conflicts with our social instincts. Historically, we had to be competitive in order to survive. The most successful of our ancestors were the ones who brought home the biggest kill when they went hunting. But, even though we no longer need to hunt, we are still encouraged to be competitive in everything, even when it's to our own detriment and pushes us ever further from our happiness goals. We're fixated on the binary choice of winning or losing.

Winning has taken on sinister overtones too. Society lauds people who

don't just come out on top, but also who crush all opposition in their wake. In recent years, popular figures who earn the admiring moniker 'larger than life' are frequently those who care little for their foes and treat them with little more than disdain. Think here of Donald Trump, or Brazilian president Jair Bolsonaro. In the financial world Jordan Belfort was immortalised in the film *Wolf of Wall Street*, after ripping off millions of impoverished individuals with his penny share sales scheme. Winners do, it seems, take all. Why, it might be asked, is winning not perceived to be simply about doing a good job? Surely too, it shouldn't be about *who* is best. It should be about *what* is best. Again, in the extremes of the pandemic, we began to see hints of a change, when there was a long-overdue outpouring of appreciation for the NHS. The weekly clap for selfless health-service workers won't right the wrongs of years of neglect, but it is a move in the right direction. It remains to be seen if this goodwill towards our medical winners lasts after we come out on the other side.

The win-at-all-costs philosophy is now endemic in our society. From the acceptance of the professional football foul, to the dirty tricks and spin doctoring of our politics, *who* wins is more important than what's fair. The fact is, no one can always win, or be the best at everything. Personally, I liked the school motto 'Your best is always good enough'. If you think about it, it's very true. You can't do better than your best. If someone doesn't succeed and you knew they were doing their best, you should give them all the encouragement in the world. It's an opportunity for learning, not rebuke. In fact, if I've ever asked anyone to do anything and it didn't work out as planned even though they'd tried their best, then to me it meant that I'd made the wrong decision. I'd picked the wrong person. They certainly shouldn't be made to feel they were a loser. After all, we all like to win, so that in a team setting finding opportunities for everyone to win should be the guiding light for any manager. Win-win situations are far better than win-lose.

Don't get me wrong. I am not against competition per se, but there's no reason why it can't be both fair and friendly. I made it a policy to meet and make friends with the leaders of my competitors in the laser business. We were not only competing to win orders but also to develop better ways of doing

things in order to win those orders. Therefore, we were also collaborating in the effective development of the technology. We each would succeed in different directions at different times and we could applaud each other's successes as well as our own. It was also emotionally beneficial to meet with them as friends facing the same challenges. As I've said many times, it can sometimes be lonely as a CEO, so talking with others in a similar situation can make it less so.

Yes, competition does drive society forward, but it should be fun and always *friendly*. There will, of course, be winning and losing, but the point is striving to do one's best. That notion of enjoying a game of golf and then enjoying the nineteenth hole as well is the epitome of what it's all about. That's where happiness lies. I enjoy playing competitive bridge (well, at my own level), but I take care to avoid settings where winning is far more important than enjoying. Enjoying the process with other like-minded people is the polar opposite of being consumed by the greed and envy of fierce competition which does no one any good, let alone society as a whole.

Being forced to remain in perpetual competition with one another is detrimental to us all. Having to look after our own interests at all costs, and to be seen to win, blanks out the positive benefits of looking after others. It prevents us from understanding ourselves, what we really want and what really matters, as opposed to what we're told. It ensures that we are simply incapable of looking at the broader perspective or of embracing the fact that a more cooperative society would be to the benefit of almost all of us in both a personal and financial sense. It doesn't help either that we're constantly distracted from what's really going on. Whatever our individual perspectives, we are pulled one way or another by the distinct and unyielding perspectives of political parties. To the right, we have the notion that the interests of us all are best served by individual enterprise. To the left, we're told that social enterprise should be in charge. Our opinions are heavily influenced by their persuasive messages, encouraging us to divert from our own, hard-earned perspectives, and away from the beliefs that should make us happy.

To form a cohesive society, we need love and a sense of belonging. We need

the self-esteem that can only be achieved by the mutual process of respecting others and gaining their respect in return. This, and happiness, is the goal. We need to get more involved. We, the people, have to stop, take a moment and look around us at what is being done, supposedly in our name. We need to start asking the questions we should be asking about what is going on in the wider world. We need to make our common-sense voices heard above the rhetoric of political competition and cooperatively insist that there *is* a better way of doing it.

For more details on how this process works, I would recommend *The Brain: The Story of You*, David Eagleman, Pantheon Books, 2015.

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PART TWO

The Way I've Learned

From Science

Never stop questioning

After graduating as a physicist, I was invited to study for a PhD at Nottingham University in a group that was involved in building a maser, a novel device for which no real mass application has ever been found. It was while at a conference held there in 1960 to discuss maser technology that I first heard about the possibility of building a laser, or as it was called then, an optical maser. At that time, it was only a theoretical proposal put forward by Schawlow and Townes, for which they both ultimately received the Nobel Prize in Physics.

The general opinion of the experts attending the maser conference was that it was unlikely that anyone would ever be able to build a laser. This was mainly because everyone there was only thinking in terms of what was already in existence. At that time, maser operation was confined within a cavity of 1 or 2 wavelengths in length, which is a few centimetres at microwave frequencies. How could one possibly build a laser in a length of 1 or 2 microns, which would be ten thousand times smaller? It didn't seem possible. Nevertheless, as it transpired, it was. Ted Maiman built the first laser within a few months of that conference. The rest, as they say, is history. The science fiction of ray guns had been turned into reality, although not as envisioned in the James Bond movies. For me it was my first experience of the reality that expert opinion can be misleading and that one shouldn't lightly dismiss novel, even seemingly impossible, ideas.

That experience was a forerunner of my career in laser technology but just

as importantly it taught me a lot about the journey of novel ideas from concept through to practicality and from there to widespread beneficial implementation. It takes the work of many to achieve this ideal, and what drives this process is the realisation that all ideas can be improved on. There's always a better way of doing something.

It occurred to me that my training and background as a physicist, together with the lessons I've learned from the world of science, might be a good starting point when it comes to sharing the origins of my thinking regarding the politico-economic system in the UK highlighted in Part One.

My initial observation is that so much of what governs us and has an impact on our daily lives is based on what people *think* is the right thing, rather than being based on actual fact. Certainly, as outlined in Chapter One, economics is definitely not a science – more a matter of opinion. This is perhaps why I find it particularly difficult to accept what is happening. Scientists seek to explain what actually happens in the physical and natural world as accurately as possible. Our goal is to get to the truth and the way we go about it is on a fundamentally collaborative basis. Where differences of opinion arise, robust debate takes place, since all scientists accept there can only be one right answer to a particular question. Indeed, it could be said that scientists are more comfortable when disagreeing with one another, because they know this is the way to get to the truth. Scientists keep asking questions until an honest agreement is found. For instance, this is how there's complete agreement on the speed of light, or acceleration due to gravity. The process towards reaching these conclusions includes making a large number of detailed observations and taking all kinds of measurements to establish facts in a clear, objective manner. Whereas scientists are good at thinking outside the box, as the saying goes, they are invariably conservative with a small c when coming to conclusions. Things have to be proven and shown to be acceptable to all of their peers before they're completely satisfied with the facts. This means that we're not afraid of new concepts and aren't quick to dismiss them, however far-fetched they may initially seem. We'll always be sceptical though and won't accept such ideas until proven. The story that opened this chapter, describing

the development of lasers, is proof, if proof were needed, that you should never dismiss new ideas without proper consideration.

The economy, or the political economy as it was originally called, undergoes none of the rigour that science is subjected to. Instead, we're in a situation where a number of individuals put forward their own theories and no one seems to compare these theories or discuss their validity in any meaningful way. As a result, many schools of thought about economics have arisen throughout history and across geographical areas. These theories haven't been resolved into a single approach that's accepted by the vast majority of economists and, as far as I'm aware, there's been no impetus to do so. Economics, as noted above, therefore remains predominantly a matter of opinion. As a complete aside, it's interesting to note that during the COVID-19 pandemic, the search for truth appeared to come into vogue. Successive governments deferred to scientists, who were wheeled out to speak to the media and reassure the public they were looking for the answers so desperately being sought. Opinion polls showed that it was the scientists whom households wanted to hear from too. With a subject this serious, they clearly didn't trust the politicians to give the full picture. It makes you wonder why so many people are happy not to demur on a day-to-day basis. All right, the economy isn't a matter of life and death, but it does have a fairly crucial impact on all of our lives and livelihoods.

It seems to me that for too long we haven't been asking enough questions. Or, even if we have, we're not getting any sensible answers. One of the best pieces of advice I was given during my career was: if you don't get a sensible answer, keep asking until you do. This piece of advice came from Ronnie Hooker, a highly respected businessman and non-executive director of a company where I was the technical director. I'd been to see him over my concerns about the accounts of the company, where I believed the value of stock was being artificially inflated. I'd been repeatedly fobbed off by the CEO with vague answers, but still felt extremely uncomfortable, so was seeking guidance from an expert. This was not something I wanted to just let pass, since as a director of the company I was jointly and severally responsible.

‘If you don’t get sensible answers to your questions, keep asking until you do,’ Ronnie advised.

I took this advice to heart and have applied it throughout my life ever since. I always, always question everything. It’s my failure to find satisfactory answers to the question of whether the way our economy is run is good for everyone that led me to write this book. I’m still asking, since it seems to me that the process is more akin to alchemy than it is to science. I’m not alone in expressing this comparison with alchemy. Mervyn King, the economist and former governor of the Bank of England, also believes there’s comparability with alchemy in our financial system and in fact highlights it in the title of his book *The End of Alchemy*.³⁰ But again, it’s a matter of opinion, since his form of alchemy is different to mine. He suggests that alchemy is at work when bankers convert short-term safe deposits into long-term risky loans, but in my opinion that’s only a minor matter that serves to obscure the far more troubling (and outrageous) practice of seeking something for nothing.

The original use of the term alchemy, of course, concerned attempts to change base metals into gold, something that has never been achieved. Yet, astonishingly, bankers would have us believe they can achieve such a feat, although in their case they are turning the concept of money into a commodity. In both cases though, the purpose is to get something for nothing, which is scientifically impossible. As per the well-known Law of the Conservation of Matter I cited earlier, matter can neither be created nor lost. It can only be changed either by nature, or by the application of external forces. It has been shown that in all instances the mass of the changed matter is identical in weight to the sum of the components of that matter before they were changed. This applies to the growth of plants and trees as well as to the production of a motor car. In fact, it applies throughout biology, physics and chemistry but not, apparently, in economics when it comes to money. This proves to me that, beyond all doubt, money is not a commodity but merely a misused concept. It cannot be grown and no one in the City can grow it for you. They can only take the stuff it allegedly represents from Peter and use it to pay Paul. Is it sleight of hand, or alchemy? There’s a strong argument that it’s

almost entirely the former.

It's not even a case of *who* is right, when you start breaking it down. Ignore all the opinion-makers. What we should be doing is thinking like scientists and working out *what* is right. There is a lot at stake here, after all. There's not just the impact on our individual wealth and the fact that so much of the fruits of our efforts go to the elite rather than benefiting the people who actually do the work. The lack of objective questioning is having a long-term impact on the globe. The message from ecologists is that the present use of, or more correctly changes being made to, our fixed resources is doing irreparable damage to our planet. Taking carbon from trees and fossil fuels to put into the atmosphere is not making the world a better place. Conservation of Matter comes into play here too. Our dangerous single-minded obsession towards continuous growth in the world's economy via environmentally damaging industrialisation is absurd. What are we trying to grow? The amount of stuff is fixed. The law says so. Yet, the elite would have us believe there's only one element that's *meant* to grow and that's the one agreed upon and measured by economists the world over: money. Yet, as we've seen, money is only a concept and can't be grown.

Taking measurements

Perhaps a big part of the problem is that we are not taking enough measurements. In science, we use an awful lot of measurements. We measure things every which way, depending upon what we're trying to do. For example, if we're trying to improve thermal insulation, we'd need to know the thermal conductivity of the materials we might use, whereas if we wanted the same material to withstand physical stress, we'd measure the tensile strength. I have an old copy of the *Handbook of Chemistry and Physics*, known affectionately as the Rubber Bible, since it was originally published by the Chemical Rubber Company in 1914. It has over 3,000 pages packed with all kinds of useful measures and known data for use by scientists and engineers. It's currently in its 100th edition. (I even made a sworn statement on my Rubber Bible once, when there was no traditional bible to hand when I was filing a laser technology patent! The patent agent who allowed me to do so clearly

understood scientists and the great store we put behind facts.) In the world I come from, it's horses for courses when it comes to measurement. You need to measure the properties you need to know about in order to optimise a particular parameter. Think of how many parameters a Grand Prix team measure on a Formula One car in order to optimise its performance. It's certainly not just the horsepower!

It came as a huge surprise to me that when it comes to fully understanding what I'm repeatedly told is the most important aspect involved in managing our country (i.e. the economy), there are so few measurements of what really matters. Gross Domestic Product (GDP) and its rate of growth are the primary concerns, followed by inflation, the rate of unemployment and the balance of payments as the secondary ones. As I pointed out earlier, there's considerable debate as to how GDP can be either accurately or, more importantly, meaningfully, measured. There's also the question of why it constantly needs to grow, given our need for conservation of resources. The biggest question to ask here (since we're a long way indeed from any sensible answers) is, why are the measurements so limited? Quite simply, the information that these handful of measures produce seems unfit for the task of informing we, the people, about the effectiveness of what the government is doing on our behalf. Without proper measurement, how is it possible to know if they are running the economy to deliver what we, the people, want? All we can derive from the measurements we're given is the drive to 'grow'. Surely the criterion should be a *better* economy rather than a *bigger* one. Yet, we don't measure what matters to people; we only measure what matters to the rich. If anyone bothered to enquire (which they don't) they'd most likely discover that we, the people, would probably want some things to *reduce* in size, such as poverty, mental health issues and bankers' bonuses. Or, that rather than an ever-expanding GDP, what we'd rather see grow would be the availability of GP appointments, conservation initiatives and general happiness. These are only a few of the things which people care about, but they all fall under the umbrella of our economic organisation. However, it's easy to ignore, or deflect attention away from them, because they're hidden deep within a catch-all GDP number. I

certainly wouldn't want to run a fish and chip shop on such a sparsity of numbers, let alone a large company or, more importantly, our country's economy.

Another subject that those who rely on economics might do well to consider is Control Theory. Control Theory is used by scientists and engineers as the basis for a whole range of measurements and feedback mechanisms to control all manner of physical things from electronics to the dynamic structure of bridges. I'm not the only one to see its value here. Young engineers are often heard to ask, 'Why don't they use it for the economy?' I can see no reason why there's nothing similar in economics. All I can infer is that the lack of a proper control theory for economics is just further proof that economics is not a science. It's purely a matter of people's opinions and, more importantly, those whose opinions count (or are listened to). The value of the stock market is simply the combined opinion of shareholders and their financial advisors (aka the MBE) as to how much money they can extract from the real economy in the future. If they're optimistic it goes up and if they're pessimistic it goes down. When there are large market falls, as for example during the 2008/9 financial crisis, the real assets of the listed companies didn't change overnight. Neither did the people who could usefully use those assets disappear. Construction workers could still have built much-needed housing in the aftermath of the downturn, but they weren't allowed to because it wouldn't have added to the value of the MBE. This, in turn, saw unemployment payments rise, fewer houses built and the economy stagnate. Surely that was nonsense perpetrated because the government had only listened, and was still listening, to less than 10 per cent of the people rather than all of the people?

In the context of this ridiculous way of controlling our economy there are other scientific theories which are perhaps pertinent – the concepts from physics known as momentum and inertia. No, I'm not talking about the political organisation of the left known as Momentum. I'm referring to the term from physics, which might best be described as the impetus of a moving body, and which is defined as the weight or mass of the body multiplied by its velocity. Momentum is at zero for all things when at rest, but increases with

speed. Perhaps the biggest physical momentum ever achieved was by the world's largest ship going at its maximum speed of just 30 km/hour.³¹ Its momentum was at least 500 times more than an F-15 fighter jet breaking the sound barrier. The ship and the jet are a far cry from each other in terms of both mass and speed, but both do have one thing in common in the simple fact that neither could be stopped very quickly without causing a disaster.

If we looked at the economy in this context, it would be fair to say that our economy has a great deal of momentum, even though it was temporarily somewhat slowed by the Covid-19 crisis. Like the super tanker and the aircraft, this economic momentum is embodied in its overall size and complexity and also in the way it's driven by its co-pilots, the MBE and its owners, we, the people, as represented by our government. Like the ship and the jet, its direction of travel can't be changed quickly without causing a disaster. However, its ultimate owners, we, the people, should have the power to get it to change both speed and direction, which is where we come to inertia.

A quick search on Google offers two definitions and examples of inertia. These are:

BEHAVIOURAL

'A tendency to do nothing or to remain unchanged.'

'The bureaucratic inertia of the various tiers of government.'

PHYSICS

'A property of matter by which it continues in its existing state of rest or uniform motion in a straight line, unless that state is changed by an external force.'

'The power required to overcome friction and the inertia of the moving parts.'

I find it interesting that the search engine chooses to put the non-physics definition first. However, it's the inertia of we, the people, not the government, that's consigning the economy to the hands of the MBE. As noted in Chapter Two, very few of us are politically active and we just choose our best, or least worst, option of the two main parties as our government, both of whose policies support the present form of capitalism for our economy. The Tories,

because their leaders believe in it and are financed by the MBE, and Labour, because it can't get elected without embracing it even if they don't believe in it. While the 90 per cent of the electorate who would benefit from an end to the power of the MBE have sufficient numerical mass to change things, they lack the energy, or velocity, to generate the necessary momentum to do so.

Whilst we're on momentum, isn't it ironic that the very existence of the left-wing political group called Momentum is an actual barrier to any such change? Momentum inhabit the very opposite of the political spectrum to those in the MBE. They are thus used as the bogeymen by the MBE, which insists they are the reason why the majority should see Labour as their worst option. In actual fact, Momentum are only an extreme faction of the Labour Party, just as the most committed MBE zealots are an extreme faction of the Conservative party. They are the shouters on either side. However, they're not the root cause of our divided society. It's just far easier to promote extreme cases than to propound the less clear-cut middle ground at the centre of the bell curve, even though physics tells us that's where normality and common sense lies. To begin to fix this, we need the central majority to recognise its power by throwing off its inertia and generating sufficient momentum to effect progressive change for a more balanced society.

Boundary conditions

The final scientific approach I'd like to suggest as an aid to our understanding of the economic issues that face us is to look at boundary conditions. Boundary conditions are used to confirm the accuracy of solutions to complex physics problems by using the idea that things are often self-evident at the extremes or what you might call the edges of the problem. Say, for example, you wanted to work out the speed of a child's swing at any point. It is extremely helpful that we know for certain that when the swing reaches the top of its pendulum arc and switches from going up to going down, the speed will be exactly zero at that particular moment. Any theory or equation that suggested otherwise is clearly wrong and therefore invalid.

What would happen then, if we applied this kind of thinking to the theory

behind the philosophy of neoliberal economics? We are told that as a result of investment of money by the rich (which also happens to give them even more money), we'll all be better off. However, if (as they also say) money represents stuff and according to the Law of Conservation of Matter stuff is fixed, then the boundary condition concept would indicate that, eventually at the limit, all of the stuff will belong not to us all, but just to the rich. Also, as per the enticement that it's in our own gift that we can all get richer and be like the elite, that doesn't work either. If this were genuinely the case and it were feasible that we could all earn enough to live on from our own investments, then the boundary condition at the limit indicates that there'd eventually be no one left to do the work! Clearly, these are both nonsense answers which proves that the neoliberal theory is scientifically wrong and unsustainable. It clearly shows that whereas the system is undoubtedly good for the few, it can never be good for us all. What we're basically left with is a situation resting on the master-slave principle of division, albeit now termed owner-worker division. Whereas one master could benefit from having a thousand slaves, a thousand masters could not realistically benefit from sharing a single slave.

In life, democracy and economics, there are many, many variables, just as there are in science. It would be extraordinary to suggest that the solution to these variables comes down to A or B. It just couldn't make sense. Therefore, the sensible way forward would be to interrogate all the variables, just as the scientific community does, ask lots and lots of questions, and not accept any answers that aren't sensible. Yet, in the situation we find ourselves in today we're doing the polar opposite. We're accepting what we're given, even though even a cursory glance at the various elements involved in running our lives would indicate quite strongly that things just don't add up.

As a physicist embarking on a research degree, one of the earliest lessons I learned at university was to think for myself. We were looking for new knowledge that could not be handed down. This doesn't seem to be the normal way of thinking today. I strongly suspect that a great deal of our perceived lack of curiosity about such important matters is down to an element of assumption. We think someone, somewhere, will get it right on our behalf. A

long-time friend, Bob Smith, once told me of what he felt was a slightly unsettling experience when, as a professor, he was asked questions by bright students to which he didn't know the answer. It wasn't that Bob wasn't bright. He was. In fact, he ended his career as vice-chancellor of Kingston University. The experience though brought home to him the assumption that we're all brought up with the false belief that *someone, somewhere* always knows the answer. That assumption begins with a reliance on our parents, moves on to schoolteachers, and then perhaps to professors. Except, as Bob knew, no professor, however bright, has all the answers. We're also inclined to believe what we read, hear and see whether in books, newspapers or on the internet (despite the obvious and much documented fallibility of the latter) even though what we read could well just be no more than the writers' opinions. The natural extension of this tendency to accept what we read, see and hear, is to trust that the prime minister and his economic advisors know what to do and will do their best for everyone. Except, if you sat down and really thought about it, you'd start to realise this can't always be the case. Even the most knowledgeable person in the world knows only a very tiny fraction of what's really out there! We need to keep on asking questions.

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From Business

Working for everyone

In 1965, after holding a three-year Government Research Fellowship at the Signals Research and Development Establishment, I joined the Central Research Laboratory of AEI Limited, where I led a laser development programme under contract from the Royal Aircraft Establishment. While this was the beginning of my transition from learning about laser technology to actually making lasers for real applications, at that time I had absolutely no interest in starting a business. It was pure serendipity that I did, which happened following the 1967 takeover of AEI (at that time the largest electrical company in the UK) by GEC (then the third largest, but more profitable). I didn't realise it at the time, but the takeover also changed my life and set me on the course to become what you'd probably view as a businessman, rather than a scientist. Therefore, for the sake of balance, it seems fair to share my observations of the world we live in from the corporate point of view. How do the 'rules' of business help us understand what is going on in the world today? What were the lessons I learned?

The AEI takeover was a very rapid education in what makes public companies and their shareholders tick. It was a bitterly fought takeover battle that featured a series of full-page national newspaper advertisements appealing to the shareholders of AEI to either accept or reject the offer. What won the day was a final offer for the AEI shares that was 80 per cent higher than their stock market valuation immediately before the initial offer; so it could be said the AEI shareholders had made an 80 per cent profit on the deal. The truth is

though, they didn't *make* anything. They didn't do anything other than say 'yes'. They received something (quite a bit actually, compared with wage rises at that time) for nothing.

The year following the AEI takeover, GEC decided to merge the AEI laboratory in Rugby with the GEC one in Wembley. It was then, quite out of the blue, that my boss suggested that I should consider starting a company to make lasers. The upshot of that suggestion was that I didn't start a new company, but along with three colleagues I set up a separate division of Laser Associates Limited in Rugby. The original Laser Associates had been established in Slough a year or so earlier. It was to prove a great learning opportunity for me in both how and how not to run a company.

The role of the Rugby division was to develop new products based on the latest YAG laser technology we'd been working on at AEI. While it was a completely separate technical division of Laser Associates, the sales side of things was to be handled by the already established team in Slough. This made sense since we had no sales experience. However, I soon became personally involved in closing sales which at that time were generally to universities and government labs both in the UK and the rest of Europe. This period also marked my introduction to the City and the world of fundraising. Laser Associates' initial funding had been via its five founding directors, but it had then raised further venture funding from Hambros Bank (another of those City merchant banks that no longer exists), some of which was used to set up the Rugby division, along with inputs from my three colleagues and me.

My first meeting with Hambros Bank came as part of the process of approving the proposal to set up the Rugby division under my leadership. The focus of the ensuing discussions was very much on the importance of managing the cash flow in a new business. New ventures with an appetite for growth couldn't do without it, I was told, and this was particularly important in managing the product development process. This takes us back to what I described earlier – the use of money to accommodate timing differences. It doesn't matter how good the business plan is, if you can't afford to live until you've designed, built, sold and got paid for your first product, you won't

survive in business. In this respect, I had an easy start since the necessary funding was already in place. It's also worth noting that, once established and successful, businesses should be able to fund this financial time-shifting from their own income, something that's not always straightforward when they need to pay dividends to external shareholders.

Later on, further funds were raised from one of the UK's first venture capital funds, Scienta, which had been established by Ronnie Grierson. Ironically perhaps, Grierson had previously been head of the government's Industrial Reorganisation Council, which had facilitated the GEC-AEI merger. As a result of these investments, non-executive directors (NEDs) had been appointed to the Laser Associates board. These included Ronnie Hooker (CEO of Crane Fruehauf and director of Rolls-Royce), whom I greatly respected and John King (later Lord King of British Airways fame) who contributed very little and didn't particularly impress me.

Whilst things progressed well in Rugby, technical issues emerged in Slough and I was asked to become technical director for the whole company. It was at this point that I gradually became aware that the issues at Slough were as much financial as they were technical. Our CEO had been, in effect, cooking the books. It wasn't for personal gain. It was more like borrowing from your children's money box with the intention of putting it back when the horse you were putting the money on won. Certainly, this person appeared to be banking on the fact his subterfuge wouldn't show if things improved as he hoped. This was the root cause of the concerns that I had raised with Ronnie Hooker as described in the previous chapter. I had, of course, previously spoken with the other executive directors before approaching Ronnie. Yet, despite my explicit warning, no one was able or willing to prevent the CEO from potentially fatally damaging the company.

The point of raising this narrative once again, this time in more detail, is to emphasise two things. Firstly, the CEO has enormous power in a company, which can easily be misused, particularly when he or she is under pressure to perform. Secondly, the never-ending pressure to be a profitable success can destroy companies. Our CEO's activities were not motivated by the need for

personal gain, but were far more about avoiding an admission of failure. This is a classic form of self-delusion that's demonstrated so often in the business world. It's not just the result of the unrelenting demand for profit from the City and shareholders, but there's also the image of the ever-successful tycoon which is glorified in the media, in books and online, making it very difficult for executives to admit things aren't going to plan. This in itself is a ludicrous notion. No business functions in a linear way. Things don't just go on getting better and better. There'll always be good and bad months. However, the way business is portrayed, many executives are never willing to admit this fact. What makes it even worse though is *everyone* is in on this daft deception. As I discovered, other board members would rather get behind the myth than fully hold management to account.

The real role of company directors

Company directors are supposed to act collectively as counsellors, guides and mentors to others on the board, while also overseeing compliance with relevant laws and regulations. Equally importantly, NEDs have a duty to stand back and take an outsider's point of view, to ensure an organisation is governed in a moral way. If they see what they perceive to be a failure of governance, it's their job to speak out and steer the company in a better direction. This doesn't happen enough. In my case, despite the quality and standing of the external directors, disaster was not avoided. When confronted, the CEO in question told me, quite firmly, I should stick to managing the technology and not ask questions about the finances, completely ignoring the fact that, as a director, I had a legal responsibility to do so. While I was conveniently out of the way on a business visit to the US he arranged a board meeting of which I wasn't informed. The accounts I wished to call into question were approved after the CEO falsely presented my apologies for absence at the meeting. Not a single member of the board questioned it. That was the straw that precipitated Ron Burbeck and me to leave the company to form JK Lasers Limited.

I'm not the only person to have experienced extremely poor corporate governance. It happens with depressing regularity, often with far wider-

reaching consequences than the one I encountered. During the global credit crunch of 2008, the realities of ineffective oversight were laid bare for all to see. One of the worst examples of the dangers of weak boards, which fail to act when an organisation is clearly heading in the wrong direction, centred around Royal Bank of Scotland (RBS). RBS had appointed Fred Goodwin as chief financial officer in 1998 and from the start he had big ambitions to make the bank the biggest in the world, no matter what. He brought with him a fearsome reputation, including the nickname 'Fred the Shred' thanks to his habit at his previous position at Clydesdale Bank where he'd regularly 'shred' people in front of colleagues if they earned his displeasure. George Mathewson, the then chief executive of RBS didn't see this as an issue and even seemed a little in awe of his new appointee. Boardroom alarm bells stayed strangely silent as Goodwin continued the habit that earned him his nickname and staff became less and less willing to speak up. Certainly, no one seems to have challenged Goodwin when he fired PwC after a disagreement over their lack of enthusiasm to approve his accounting treatment of the acquisition of rival NatWest. Again, there was silence from the board when Goodwin replaced PwC with Deloitte, a firm led by a former colleague and close friend. With no voices of dissent, Goodwin was able to pursue a highly aggressive acquisition policy once he assumed control of the business in the year 2001. He oversaw more than twenty takeovers. Even as the first storm clouds of a worldwide day of reckoning for banks began to gather, Goodwin didn't stop. In 2007, he led a £49 billion (the RBS share was £10 billion) takeover of Dutch rival ABN Amro in a deal that was ambitious even by his standards. It was enough to force the collapse of RBS, which came within hours of running out of cash completely, forcing the British government to step in and pump in more than £45 billion to keep the bank afloat. The losses made by the bank were the largest in UK corporate history. During the following nine years of public ownership, the bank made losses every year totalling £10 billion.

While there is little doubt that Fred Goodwin had substantial character flaws and was responsible for numerous reckless and damaging decisions, the fact that cannot be ignored was that he was facilitated in his megalomania by a

weak and wholly ineffective board. As far as is known, no one had the courage to speak out and, even if anyone did, they certainly didn't pursue the issue, or scrutinise the risks with anything close to the intensity they deserved.

Being CEO of an organisation can be a lonely position at times. However, without the trust, support and wise counsel of colleagues, it becomes either impossible to lead properly or turns into a highly delusional, egotistical existence. This, in turn, can lead to overstretching of resources and company setbacks, if not total failure. For other examples, think of disgraced media and publishing tycoon Robert Maxwell in the UK and the recent revision of opinion about Jack Welch, who was once heralded as the greatest leader in his era, but has since seen his legacy of a relentless push for growth-at-all-costs questioned. I wasn't at all surprised when I saw one piece of research that actually found a correlation between the number of times that chief executives appeared on magazine covers and the excessive amounts they had paid for their acquisitions.³²

What then, is the better way to lead a business? Passion is certainly key. CEOs have to convey their passion to everyone else in the group. By this, I don't mean passion about making money or profit at all costs. No, in my belief the way to build a great business is to have a passion about its role in making the world a better place. Unfortunately this appears to be a view not well received today. Like contemporary politics, the frame of reference around today's commercial activity is populist. Passion in the corporate context is often about money and power rather than the sheer joy of working together to produce a product or service the market actually wants. This is true in both the public and private sectors.

The money-at-all-costs fixation ruthlessly dismisses the views of naysayers. Indeed, it rarely seeks approval at all. It encourages business leaders to ignore anyone on the team who doesn't agree with them, despite the fact that when strategy is questioned it's a clear indication that the bosses are either doing something stupid or haven't done a good enough job in validating their point of view, or in building that vision. This is, to me, a prime opportunity for business to take a leaf out of the scientists' book. Find out *what* is right, not

who is right. As Peter Drucker, the most revered of all management gurus, said, 'Management is doing things right; leadership is doing the right things.' The continual firing, or overruling, of members of a team confirms either an inability to recognise and select good team players, or self-important arrogance.

The benefits of bottom-up management

My experience at JK Lasers demonstrated to me the many absurdities of the 'them and us' form of management and leadership which continues to dominate today. The company was started without external shareholders but with the support of a traditional bank manager on what he called a pound-for-pound basis. Namely, the bank would lend a pound (secured against our homes) for every pound of equity that we provided. It was just up to the two of us, supported by Ron's wife, Gloria, as part-time secretary and bookkeeper, as to how the business performed.

My immediate observation was that there was no distinction between owners and workers, or managers and workers for that matter. What really mattered was what we did, not what our job titles were. All we had to do for the company to succeed was work. This not only included designing, ordering components and building a fairly sophisticated product, but also acquiring accommodation, promoting the product and negotiating our first sale. Some of that could be described as management and some as production, but it was all necessary and it was all work. Well, it certainly seemed like it at the time!

This experience demonstrated to me the nonsense of the traditional distinction between management and the workforce in businesses. Management is part and parcel of the workforce and if they're not contributing to the company's success, they shouldn't be there. Similarly, where any job in a company requires some degree of control, or management, in how something is done, management is best provided by the person who understands how to do the job. In our case Ron and I had no option anyway. We certainly couldn't afford to pay someone else to do it in the early days. It was from this starting point that I developed my understanding of what good management, or

governance, is all about.

To my mind, management is about making judgement calls as opposed to following laid-down procedures (if they work, there's nothing to manage). The key to successful management is maximising the number of calls that are got right, which in turn means it's most prudent to have those calls made by the person who's most likely to get it right. In other words, the most effective management occurs where it's embedded within an organisation rather than applied from above. My experiences in business have shown me that the art to managing any sizeable organisation is always based around teamwork. As Ron Burbeck and I developed JK Lasers Limited, we recruited more employees to work *with* us, not *for* us. Our philosophy was that the company would be best served by maximising the use of everyone's intellectual and physical skills in as collaborative a way as possible. Everyone doing their best beats everyone trying to be better than the next guy every time. Yes, we had labels and I was the CEO, but it was more about leading a team towards a common goal of making better and ever more useful laser systems for our customers. Of course, we needed to stay solvent, but profit wasn't the main motive. I firmly believe that profit is a by-product of a well-run business and should not of itself be the main purpose. The CEO's role is to set out a clear vision to the team about what needs to be done and then to lead everyone in the right direction. After that, it's all about engaging the team and encouraging everyone to support all of the people who actually do the work to deliver the product or service to the customer, client or patient. That's the basis of bottom-up management.

I realised quite quickly that my views on the balance between managers and workers are not the norm. The most obvious time the difference between management and production functions is apparent is in the company accounts. Activities related to production are treated as necessary costs, whilst those of management are treated as overheads. In reality they are both necessary and minimising the cost of both is important. All too often in many organisations, management sees its role as *reducing* production costs while simultaneously *rewarding* itself with a pay rise that increases the cost of overheads. Managers win and workers lose, despite the fact it is not to the

benefit of the business. It's another classic case of robbing Peter to pay Paul. It's hardly surprising that it creates disharmony in a company and a damaging 'them and us' atmosphere. Like democracy, the phrase 'we're all in it together' is more often rhetoric than reality. It's perhaps no wonder we live in a divided society, when so much effort is placed on defining differences between groups of people rather than what they have in common. Why do we talk about apples or pears, when we could recognise both as fruit and equally good for you?

Businesses work best when they're able to maximise the intellectual and physical skills of each and every employee. There's ample evidence that one of the most effective ways of doing this is when control of the company is placed entirely in the hands of its employees and its chosen external advisors. Indeed, if that control extends to employee ownership on some sort of shared basis, then company performance and employee satisfaction/happiness is maximised. Employee-owned businesses currently contribute £30 billion to the UK economy and (pre pandemic) boasted a year-on-year increase in productivity of 4.5 per cent. In previous recessions, these shared businesses saw sales grow by more than 11 per cent, which leaves non-employee-owned businesses in the shade with growth of less than 1 per cent. People like working for businesses with this structure too, with 80 per cent agreeing they felt a sense of achievement in their jobs. It doesn't go unnoticed by customers either, with 41 per cent saying they're more likely to spend money with businesses like this.³³

One thing I often thought about, but never had the courage to do, was to get the team at JK Lasers to choose their own salary relative to everyone else. My thought was that one could determine the affordable overall salary bill for the company at budget time. We could then give everyone an anonymised sheet with all employees listed and ask each one to indicate their view of what everyone's salary should be relative to their own, set at say, 10, with the footnote that people might seek better fortune elsewhere, if they didn't like what they were offered. A simple computer programme could then consolidate all the replies to show the salary distribution that appeared most fair to all of the employees.

I had this thought because I always found salary review time to be personally stressful. What right did Ron and I have to play judge and jury? It became even more stressful when we needed to consult intermediaries because although we could have absolute trust in the integrity and belief in the fairness of the intermediaries, it didn't prevent the intermediaries having different personal scales of assessment. Anyway, we always did our best to do what we thought was fair.

Years later, after leaving Lumonics, I became aware of the management approach adopted by Ricardo Semler, who had only agreed to take on the job of running Semco, a family business, from his father, if he could have a free hand to do it his way. His innovative and participatory approach is described in his two books *Maverick!* and *The Seven-Day Weekend*.³⁴ The latter includes his successful strategy of not only getting people to choose their own salaries but also their own bosses! Semler advocates that all information is open, so that if a boss gets above himself, either in attitude or salary, employees can choose a better one. In other words, if you're disappointed with your boss, why not disappoint him?

The obvious question to ask is: why aren't initiatives like this and employee ownership more common, or certainly why isn't there a meaningful drive to better reward the people who actually do the work? Why doesn't the government drive the (real) economy in that direction and provide incentives for companies to be run in a fairer way? With all the statistics pointing to the fact that it's better for everyone, it would seem to be logical. The answer is that, as we've already seen, it isn't the government that drives the economy. It is the City, via the MBE.

Business lessons for the government

When you really dig into the background of it all, it seems even more ludicrous. Imagine that the government itself was a business and had the task of running the country as if it were a company. A quick glance at the books by even the most junior of accounts staff would show that the MBE is largely an unnecessary overhead. What do companies do with unnecessary overheads?

They severely trim them, or get rid of them altogether. For some reason though, the MBE has an extremely powerful voice on the board of this government company. It continually manages to argue very successfully that it can't be trimmed, or dispensed with, because it has momentum on its side. It's this momentum (the MBE says) which keeps the wheels of economic growth turning and ensures national prosperity. What they don't say is that their real target is maximising wealth extraction from the real economy to ensure their personal, not national, prosperity. Furthermore, the all-powerful voice of the MBE insists that it is the *only* real source of credible funding. Remove the MBE and the economy, along with the government, would collapse and sink without trace, goes the argument. There is, as was revealed to us in 2008 and again during the Covid-19 crisis, a big flaw in this theory. When the proverbial hits the fan, it's the government that provides the funding to support the real economy and it will be from the real economy that repayment comes via future taxation. The 'mighty' MBE provides no support at all, but itself begs for support from the government to preserve its self-important position. They don't repatriate their offshore billions to help out.

The logical extrapolation to this is that the government could just as easily do likewise in good times by providing all the necessary investment funding for both new and expanding companies. The companies could still be managed and operated in the same way as present but without the negative aspects of share price pressure and wealth extraction by the MBE. It would just be a question of investing on behalf of we, the people. It should not, nor need not, be a case of nationalisation and government control. In fact, the government of the UK would greatly benefit from a more bottom-up management approach where judgement calls are made as close to the problems as possible. After all, the person actually faced with the problem generally understands it best and should therefore make the call. This wouldn't prevent that person from consulting others if he or she so wishes, but the point is that once they have made the call that person should be free of criticism and supported all the way up in the organisation irrespective of whether it turns out to be right or wrong. Some calls will, inevitably, be wrong, otherwise it wouldn't be a judgement call.

Overall though, there will be more right calls than if they were all made by one single (not fully informed) person at the top. The key word here is trust. Trusting people to manage themselves not only gets better results but also shows them they are respected. The idea is no different to the respect we give to twelve randomly selected people to reach a decision in a jury. Of course, this decision is made following the benefit of being given all the information about the case and hearing all of the arguments from both sides. This example reinforces the need for trust to be accompanied by transparency and information availability in any democratic management process.

Changing the system like this would also put control into the hands of people who benefit from decisions that concern them. The importance of recognising where control authority actually lies was one of the great lessons I learned from my wonderful business mentor, Roy Noon. Roy was GEC's chief management training guru, based at the conglomerate's management college just three miles from our factory. We met at a point when I'd discovered that my project management skills were stretched to the limit, particularly when it came to managing our strategy for the future. At the time, it felt as if we'd learned to sail, but while busy sailing we'd inadvertently sailed out of sight of land. Help! I needed someone who could teach us to navigate. Complete chance brought us into contact with Roy and he became my friend and business mentor, joining the boards of JK Lasers, when we took on external finance, and also of Lumonics following our merger. One of Roy's first observations was that you can't actually teach people to be decent managers, however you can help people reach their own natural management ability more quickly by sensitising them to situations they hadn't previously experienced. He also said that people learnt best by being on the job and 'sitting next to Nellie'. Roy became my perfect Nellie, and I acquired a wealth of business and management knowledge from 'sitting next' to him.

Roy taught me you can't manage anything unless you have the authority to control it. Roy's management philosophy and views on control may seem obvious when simply stated like that, but it is amazing how often managers, leaders and employees at all levels are put in a position where they are told to

complete a task but are then severely constrained in doing so, which is, of course, to the detriment of the whole organisation. Imagine, for example, an employee who is given a task and then 'helpfully' told how to do it. The more sensible chain of events would have been for the training to be delivered *before* the task is allotted. Thus, when employees get the brief, they're able to manage it in their own way. You'd be surprised at how often an employee finds a better way of achieving the goal than the one he was taught, but he or she did need that foundation of learning in the first place. The same philosophy applies to managers of subsidiaries of large corporations who are frequently told what to do by head office and then blamed for not achieving it. If the manager's job is to manage the subsidiary, then it should be their plans, albeit approved by the corporate office, for them to achieve. They are, after all, on the ground and will know all the prevailing circumstances which will impact on the carrying out of the strategy.

Now, let's widen out the idea and think about the control authority that the UK government has over our whole economy and its accountability to all of its citizens. While the UK government has no authority to manage anything outside of the UK, it does have the authority to manage everything *within* the UK. In the past, it ceded some of that authority by joining the EU, but now it has it back again it is crucial to fully recognise its obligations. This includes the need for clarity of delegation and accountability. As a company CEO, you're accountable to the board of directors for everything that happens to the business and remain so even when responsibilities are delegated to others. This leaves a CEO with responsibility for everything that's not delegated, whilst always remaining accountable for everything. If you equate this to national government terms, the prime minister is accountable to cabinet for everything that happens in the UK, even though he delegates most responsibilities to ministers who become accountable to the prime minister for them and so on down the chain. Cabinet is of course accountable to the whole of the electorate just as a board of directors of a company is accountable to its shareholders. Trust and mutual respect are therefore vital elements in this process if responsibility is to be delegated right down to the level of individual citizens to

get the best possible judgement calls.

Right now, we're a long way from this ideal. Trustworthy delegation simply doesn't exist in our politics today. While the complexity of today's society screams out for effective delegation and teamwork, more and more decisions seem to be referred upwards to the prime minister. In March 2020, Sajid Javid, the then Chancellor of the Exchequer, resigned over a row where he was not even allowed to choose his own advisors! It's no wonder that we, the people, feel we have no say, when even those supposedly near the peak of authority are apparently held in such low regard. We've evolved to a situation where the prime minister's opinion is seen to be the most important in all matters. It is clearly top-down management of the command-and-control style that we've been governed by for the past 40 years to my certain knowledge, whichever party was in power.

Notwithstanding this top-down approach, when it comes to the question of managing the nation's economy, successive prime ministers have actually avoided their responsibility by ceding much of the control to the forces of the global financial market. This is not delegation but dereliction of responsibility. If the economy has an important, if not the most important, effect on the lives of everyone living in Britain it should be clearly accountable to them via the office of the prime minister. We're repeatedly told that the economy is best left to the private sector, but what is meant by the private sector? It turns out that it means everything that can be managed for a profit. The argument that's made, without any justification at all, is that it's not only best for all of us but also that's what we've chosen. At the same time, we're told that the public sector should be kept as small as possible to avoid crowding out the private sector by utilising limited resources. The criterion for this assertion appears to be that making a profit in the private sector is more important than say, saving a life in the public sector. Isn't that something over which we should all have an opinion? It's further argued that the public sector wastes money because of poorer management by the government. Surely that's an argument for introducing better management by, say, replacing top-down with bottom-up management.

These patently false arguments exist purely to support the misuse of money and control by the plutocrats. They're the means by which less than 10 per cent of us extract wealth from the real economy without doing any work, while at the same time there's zero accountability of the private sector to we, the people, via our prime minister. When it comes to the economy, the government needs more, not less, control. For starters, why is there no requirement for all British residential properties (where I define British as being located within Great Britain) to be owned by named individuals with a clear taxable status within the UK? Far too many, particularly the most expensive, are owned in the names of companies registered overseas, generally in tax havens. Many are unoccupied at a time when we're desperately short of houses. That's bad management and it's all because successive governments have failed to take control over what is clear nonsense. The government needs to be mindful that it has no control of anything outside of Britain. It can be argued that we have British interests overseas, but they are owned by the elite 1 per cent and the management of those should be a matter for them and the governments of their locations. Our government, representing 'we, the people' need not, and should not, have any part in it. They shouldn't turn a blind eye to the tit-for-tat money laundering that goes on in the international property business as outlined in Oliver Bullough's book *Moneyland*,³⁵ with much of it passing through London.

Making the markets play fair

A similar exercise could be done by taking better control over British companies and ensuring they contribute good and fair value to the British economy. I recognise this is a more complex management problem, given the nature of global corporations and the multitude of international trading agreements, but bear with me on this one. After all, if we can negotiate ourselves out of the EU, I am sure that over time we can negotiate a better deal for British citizens by leaving the global financial market and making sure that global companies play fair when operating in the UK. Yet we seem a very long way indeed from this ideal. While at Lumonics, I spent far too many hours

arguing about transfer prices between subsidiaries in different countries in order to maximise After Tax Profits in Canada which could have been better used to deliver value to our customers. And that was only a very mini-multinational. What we need is a government clearly focused on taking control and managing what's good for more than 90 per cent of the residents of Britain, not what's in the best interests of the 1 per cent and their compatriots in the global financial market.

As it stands, the concept of the global financial market is a snare and delusion for all. It's akin to having the biggest oil tanker ever, but without a skipper. No one is in control. Various people or bodies may talk about control from time to time, but no one has been appointed, let alone trained. The oil tanker has already crashed once and will surely crash again. This is the market we really do need to leave. This oil tanker analogy, together with that of the MBE being like an uncontrolled nuclear breeder reactor, should frighten us all into waking up and taking proper control of our own destinies. None of this means we need to stop being an international trading nation, but our trades should be in real goods and services that people actually need. We, the people, if properly organised and trained, could and should run the financial bit ourselves, in our own best interests.

There's absolutely no reason either why breaking the grip that the global financial market has on the world shouldn't be led from Britain. Britain has led the world with many innovations in the past and there is no barrier to it doing so again. Certainly, I see little need to look to America to take the lead. When I first visited the USA in 1965 to attend the inaugural international conference on laser engineering and applications, I expected to be in awe of their advanced technology. However, during that trip, which included visits to many of the leading research centres for laser technology, I came back with the belief that there was nothing that we couldn't match, or even beat, if we put our minds to it. This was confirmed when the sales director of JK Lasers' leading American competitor approached me with a request to sell our products in the USA as an independent agent. As he put it, we'd beaten them in Europe, so he wanted to help us beat them in America.

Another point I'd like to make is about measurement. Although, as a physicist, I was already steeped in the concept of making meaningful measurements, Roy helped us develop the most appropriate measurement systems for JK Lasers. He not only taught me that people always perform according to the way they're measured, but in consequence it's most important to choose to measure the right things and in the right context. For example, if you let it be known that the amount of money tied up in your stock of components should be minimised, then don't be surprised if your deliveries become extended because you're regularly short of the odd component. The aim is to find the right balance of measurements that can be understood and agreed with the whole team. This not only lets them know what you think is important but also gives them a chance to suggest better alternatives. If you make customer satisfaction and repeat orders your priority and let the team know, then this is what they'll strive for to the benefit of the business. Some things can be difficult to measure, but 'management by walking about' and listening to people can be very effective. This not only means being seen walking around your own company and talking to fellow employees (not just when you have an important visitor) but also visiting and talking to customers when you're not just seeking their business.

Contrast then this employee and customer-centred approach to the way public companies operate and, indeed, the overall way our economy is driven. While most public companies have now developed good human resource practices, it's nearly always the external stock market value that's the key measure to permeate an organisation. The figures that dominate everything are based on the race towards a tidy end-of-year profit and hence improved stock market valuation. Very little attention is properly paid to making measurable improvements to customer or employee satisfaction, processes for the future, or better facilities. It's all about just another bit more something for nothing. Meanwhile, this blinkered measurement approach entirely ignores the very things that will help improve our society. As for the government and their opposition, they come around every five years to ask not for our opinion, but our vote!

As you've seen, the business lessons I learned keep coming back time and again to the team. It's the people who do the work that make a business successful. The success of a business is, of course, never based on one man, or woman. It's the sum of the parts, of everyone on the team.

The truth is that we're all fallible and will undoubtedly make mistakes. Roy sensitised me to the notion that it's very rare to find people who are good at both performing and presenting. However, given the need to choose, it is better to pick those who can *do* (i.e. perform), rather than those who just *say* they can. Sadly, all too often our politicians are better at presenting than performing. Of course, one needs people who can present to customers and deliver talks at conferences and the like, and it's also true that audiences take in more from how things are presented than what is actually said. Nevertheless, it's what individuals do that matters most in the long run. And to succeed any organisation needs its whole team not only to understand its real purpose but also to be true to it at all times. Integrity is the key to success.

Roy also liked to say there was no such thing as a weakness, only a lack of a strength, which is another way of saying that everyone has positives and good management is about combining all of those to best effect. We all need to play to our strengths, so nobody should delude themselves into believing that they have sufficient ability to run the whole show. Would-be prime ministers, please take note! Besides, it's more fun working with colleagues in an atmosphere of mutual trust.

For my final business-inspired lesson, I'll introduce another mentor who helped me greatly: Philip Darwin. Philip was a stockbroker and financial advisor to The Royal Institution, or, as he liked to put it, as a trained accountant he was the black sheep of a family of scientists. He had a particular interest in seeing new technology and new businesses develop and the two of us got on well from the off. After visiting JK Lasers, he invited me to stay in touch and feel free to seek his advice on financial matters whenever I felt the need. This I did on many occasions and it was his firm that, many years later, helped us raise external finance when we felt the need to do so. The reason I mention him here is because he taught me a phrase that endures in my

memory: 'You never learn nothing.' This is, of course, true if you have an open and enquiring mind, which he did in spades. It strikes me that many corporations and governments could do with taking this advice by learning what we, the people, want rather than believing in the righteousness of their own endless pursuits of making money or staying in power. It would actually be beneficial to us all.

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From Public Services

Avoiding the blame

In business, good management is where the chief executive gets more than half of their judgement calls right. Succeeding with over 60 per cent of those calls would make any boss an outstanding operator. Any more than that would make them a star! It's never been like that in the public sector. Here, even if you were extraordinary and succeeded with a whopping 90 per cent of your decisions coming out right, you'd be criticised for the 10 per cent that didn't work out. That 10 per cent is what will be talked about with an exaggerated and exasperated shake of the head for years to come.

I can remember clearly when I first heard this being said. I was attending a meeting of senior NHS managers, being addressed by Peter Levene, now Baron Levene of Portsoken, the former chairman of Lloyds of London and vice chair of Deutsche Bank, recruited by Michael Heseltine to be his personal advisor. In my view, this was a very succinct explanation of the blame culture that pervades the public sector as a whole. There's little impetus towards committed learning and progressive leadership, because the entire sector is bogged down with an endless cycle of complaints and investigations. With all this going on, it's easy to see how the sterling contributions of so many who are highly committed to the provision of public services are overlooked.

My experiences in the public sector are not as extensive as they are in the areas of science and business. I've had two short periods of working within the public sector and otherwise only limited interactions with it on a business or personal level. I certainly wasn't immersed in any central aspect, since the jobs

I did were of a peripheral nature, so it would be unfair for me to presume that I'm an authority on how things might be done better. However, what I can do here is compare what I learned from my involvement with the sector, to what I saw in the worlds of business and science, because the worlds are so different as to be virtually unrecognisable from one another and I'm not entirely sure this always needs to be the case. Perhaps there's an argument that this gulf isn't in the best interests of those who use public services.

It may help to begin by giving a little background on my involvement in public services. My earliest observations stem from the time when I was a research fellow at the Signals Research and Development Establishment (SRDE) in 1962. As I built my career in lasers, I ran a development project under contract to the Royal Aircraft Establishment, supplying lasers to universities and government establishments throughout the UK. I sat on various government committees, including an inter-governmental one that established the Eurolaser Programme. Years later, after resigning from Lumonics, I became involved on a pro bono basis with the National Medical Laser Centre at University College London, where I'd previously supported some of the research work. This opened the way to a better understanding of the issues facing the NHS, coinciding as it did with the time when the White Paper 'Working for Patients' was published in 1989. This governmental report set out radical options for reform, including the introduction of an internal market in the NHS with the central idea of delegating operational responsibility away from Whitehall and opening up the way for hospitals to apply for self-governing status as NHS hospital trusts. These trusts would earn revenue from the services they provided, thereby giving them a greater incentive to attract patients. Trusts would also be able to set the rates of pay for their own staff and borrow money to respond to demand. In addition, there was a call for a more rigorous audit of service quality and value for money. My interest in the prospect of wholesale change within the health service was sufficiently piqued for me to apply for a short-term, three-year position to project-manage the establishment of a staff college for NHS Wales. The position, which I secured, involved reporting to a steering group under the

direction of John Wyn Owen, the inspirational director of NHS Wales, and I was given access to management and medical staff across the country, ranging from the chief medical and nursing officers, to local GP services and hospital nurses. In keeping with the ideas expressed in 'Working for Patients', I took the approach that the staff college should be what the staff felt they needed and wanted. Thus, I began my contract with an extensive market-research project, travelling all over Wales and visiting more than 70 per cent of its hospitals and community services. The process wasn't just invaluable in informing my first report, it became the foundation for much of my thinking after that. Even in my relatively brief tour of the various medical establishments, I'd become acutely aware of the extreme frustration felt throughout the service. Despite all the pronouncements of 'Working for Patients', it appeared the service was a long way indeed from its goal. The highly motivated clinical staff and management, who openly declared that they could and should do better, felt they were equally powerless to do so thanks to the constraints of top-down management.

My first observation gained from my experiences on the periphery of public services is that its management is remarkably different from that in the world of business. I've already nailed my flag to the mast by advocating bottom-up management, whereby all employees are empowered to make all decisions with which they are comfortable and can expect support from above. There need to be a number of elements to occur in order for this to be successful and paramount among them is that an organisation has a clear focus on what it is trying to deliver and that this in turn is well understood and positively embraced by all employees. This, of course, requires honest two-way conversations both up and down the line and across departments. The following anecdote is just one example of where such open communication is in short supply. During my tour of Welsh medical establishments, I met a senior mental health nurse whose patients had learning disabilities. I couldn't help but be inspired by the number of enthusiastic ideas that he had about how things could be done better. He was naturally very keen that these ideas be more widely shared and suggested they could be ideal topics for the staff

college. The obvious response to this was: why had he not shared them already and put them forward to his superiors? His reply, which barely concealed his exasperation, was that he had, but he had received no response whatsoever. Now, it may have been that this nurse's ideas did not have great merit after all. While they sounded good to me as a non-expert, I wasn't in a position to judge. However, even if this were the case, for his enthusiasm to be met with a wall of silence and to receive no feedback whatsoever was surely unforgivable. If the ideas were deemed to be unhelpful for whatever reason, this should have been explained to him to help redirect his enthusiasm. It must have been a hugely frustrating experience for this nurse to have been so roundly ignored – and what a terrible waste to ignore ideas from people who were well placed to see what actually needed to be done.

At the other end of the scale, I saw ample evidence of a complete information overload, which has largely the same impact: nothing changes. During my hospital visits, I saw a high level of exasperation expressed over the number of often incomprehensible missives raining down from on high that hospital CEOs had to deal with. In fact, I must admit that my visit was probably just such an example. Another more significant one was a review that had been carried out by one of the big five accountancy/consulting practices about a year before my appointment. The results and recommendations of the review had been published in a report that took up two very large lever-arch files. I was asked to deliver copies of these reports on my visits to senior managers.

'What do they expect me to do with these?' asked a CEO of one of the hospital trusts who seemed very able and eager to do his best for the patients coming into his hospital. 'I don't have time to read these. I suppose I could use them as doorstops!'

This was clearly a huge waste of time and resources, with the result that, once again, nothing progressed.

Perils of the blame culture

A large part of the reason why those who lead public services stick rigidly to

the status quo and therefore quickly shut down or ignore altogether any new ideas or suggestions for worthwhile changes goes back to the concept which opened the chapter. The corporate world is more accepting of mistakes: it's part of the culture of learning and moving forward. The opposite is true in public services. One small slip-up can lead to a slew of headlines that may endure for weeks. No wonder no one wants to stick their head above the parapet and suggest a better way of doing things. It's just easier to keep going, doing things as they've always been done, regardless of the fact that the world is moving on around you. I certainly observed this in the NHS again and again. I suspect this tendency also endured throughout the days of British Rail. The national rail organisation, or the government of the day, were constantly being criticised in the press for what had gone wrong with the rail network. The natural reaction was to cover their backsides wherever they could and keep quiet, or change nothing for the rest of the time. It's all back to performing according to the way you're measured. Yet if the unit of measurement is wrong in the first place there's no chance of improvement. Personally, I'm not surprised that things go wrong with our ageing and complex rail system. Whenever I use the rail network, I look at the massive size and complexity of the wiring system alongside the track as I approach major stations and wonder why there aren't more problems. That's not how we're used to viewing it though, or at least that's never flagged up as a possible reason for delays, or cancellations. It's put down to someone, somewhere, having screwed up.

In fairness to public services, at least part of the blame culture is borrowed from business. We've long been encouraged to believe that a dominant, tyrannical CEO is the epitome of true leadership: the way to get things done. The trouble is, the 'You're fired!' style, espoused by TV's *The Apprentice*, might make good television viewing, but in my opinion, it's not the best way to run any organisation, public or private. This is top-down management at its worst. You can't get blamed for a judgement call you didn't make, so you pass it back up the chain until it reaches the top, or to a person who is afraid to pass it higher. This not only takes longer, but also means that the decision is taken by a person with far less detailed knowledge of the issue in question. Inevitably,

it's much more likely they'll get it wrong.

All of which brings me to 'the boss', that person who's supposed to lead and make sure everything that's supposed to happen, happens; all being well with the full support and input from his or her team. In the public sector, the person at the top is very often not the best, or the most qualified, person for the job. The best example of this is, of course, the government minister, who, almost by definition, is most unlikely to be knowledgeable about questions of detail, or even of real substance, about the department to which he or she has been appointed. This became blatantly apparent to me shortly after I'd joined NHS Wales in 1992. We were, as it happened, in the midst of another media storm about the inadequacies of the National Health Service and this one centred around the emotive title of the 'War of Jennifer's Ear'. The moniker, which was a play on the War of Jenkins' Ear, an actual armed conflict of the mid-eighteenth century, described the plight of a five-year-old girl who'd waited a year to have a temporary grommet placed in her ear to help relieve glue ear, a relatively minor procedure. The row erupted in the midst of the 1992 general election campaign, and was being used by Labour to underline the mismanagement of the NHS under the Conservatives and by the Conservatives to question the trustworthiness of its opponents who, they claimed, had the story all wrong. As the row raged on, I was amazed to hear so many ministers and would-be ministers talking about it on television with feigned knowledge. It was clearly a matter that should have been decided at a far lower level within the NHS. Why couldn't the impressive experts I'd just met on my tour around Wales, or indeed their counterparts in England, stall this public debate and ensure the matter was decided sensibly? The answer is they didn't have full control over what they were appointed to manage. The minister had all the control, so it was a political question and not, as it should have been, a medical one.

Shortly after that time, I learned of a further management anomaly in that both the director of NHS Wales and the Chief Medical Officer (CMO) reported separately to the then Minister and Secretary of State for Wales, David Hunt. Thus, if there were ever any differences of opinion between the

CMO and the director, it was up to the Minister to make the judgement call, despite the fact that Hunt had little to no expertise in healthcare or its management. Without any doubt, there has to be a better way to achieve effective management! I'm not alone in this view. In 2007, business executive and TV presenter, Gerry Robinson, attempted to improve the health service with the BBC Two series *Can Gerry Robinson Fix the NHS?* Fresh off the back of his *I'll Show Them Who's Boss* series, where Robinson revived failing companies, he attempted to pull off something similar with the NHS using commercial-based techniques. He was set the task of spending six months at Rotherham General Hospital, with the challenge to reduce waiting lists without any additional budget. One year on, following some fairly robust conclusions, Robinson said:

'Until we start taking the management of these complex organisations seriously, in the way management is taken seriously in other commercial organisations, frankly we are just going to be chipping away at the edges of the problem in the NHS.'³⁶

I have to say, I know exactly where he was coming from in this conclusion and it only served to reinforce my long-held belief in bottom-up management. The problem with top-down management, where the senior management doesn't have the skills or inclination to listen to those who do, is it soon creates an organisation that becomes fractured with people in the lower layers lacking direction and therefore motivation. There's no incentive to talk to and collaborate with colleagues in other departments in order to get a better result. Small problems quickly become larger problems and ever harder to resolve by those at the top. The left hand doesn't know what the right hand's doing and, not surprisingly, progress grinds to a halt.

It took me a long time to realise that not all technical people have either the skills or inclination to see the wider picture. While it always seemed natural to me to do things as cost effectively as possible, it surprised me that others with similar technical skills didn't have the same concern. Well, even if I grant they might have had the concern, it wasn't embedded in the way they behaved. Their job was to do the technical bit and the accounts department looked after

the money side. This was brought home to me at JK Lasers when I asked an engineer about the cost of something he'd designed. He'd been proudly showing me the first prototype – it looked quite exciting – but his response to my question was, 'I don't know. I haven't had the information from the accounts department yet.' This was a learning opportunity if ever there was one! A designer needs to have cost in mind from the start, particularly if it's something that has to be sold for a particular price to a particular market. Fortunately, Roy Noon was on our team and able to provide cross-discipline training. It's particularly important to ensure that finance and technical departments both understand and, even more vitally, talk to each other.

The accounts departments of any organisation, whether public or private, commercial or state-run, are often dismissively known as the 'bean counters', or the people who 'put a stop to everything'. They are, or should be, in fact working towards the same end as the rest of the organisation. They too need to be focused on achieving the most cost-effective treatment, service or product for the patient or customer. On the other hand, accounts departments invariably seem to view all other departments as irresponsible spendthrifts or budget-busters. The correct approach all round would be to properly define the organisational goal, be sure that everyone understands it and then work together to achieve it. When accountants work hand in glove with technical people and vice versa, amazing things can happen. Accountants' lives are more interesting if they can see, touch and understand the items upon which money is being spent. It brings their numbers alive in a way that no part number ever can. Similarly, technical people who can understand the financial constraints within an organisation and how their decisions affect its overall performance will be more mindful in making their technical decisions.

Making judgement calls

It was this kind of thinking that led me to join the NHS, since when one thinks about it, most, if not all, of its costs are determined by technical people, namely doctors and nurses. I had been sensitised to this by my involvement with the National Medical Laser Centre. I had become friends with Steve

Born before he set up the centre in The Rayne Institute when, as a junior doctor, he was doing some of the first trials using lasers to treat stomach ulcers. Incidentally, it was later through Steve that I'd actually met Roy Noon. Serendipity indeed! Anyway, while my initial involvement at the centre was in providing technical knowledge about lasers, it turned out I also became a kind of financial mentor to Steve. Steve, now a professor with a world-wide reputation, was an ideal leader for such a centre, since he'd completed a degree in physics before changing to medicine. But he had no background in management, so juggling budgets was not his forte. He, therefore, confirmed the conclusion I had come to at JK Lasers, that intelligence and technical skills do not automatically come with financial management skills. Quite simply, he had more enthusiasm and ideas for new projects than he could afford, but he still wanted to do them all. He was running close to ten different projects but didn't have sufficient funding for all of them.

'Help!' he cried. 'How do I manage this?'

While I was able to help him raise some further funding, I also pointed out he needed to make some judgement calls. Running so many projects with too little funding meant he was constantly robbing Peter to pay Paul. This, in turn, meant he was in danger of diminishing the potential success of *every one* of the projects. My advice to Steve was he should limit the number of projects he undertook to those that he could properly fund from the total money available.

'But which ones?' was his perhaps obvious follow-up question.

'Those that would, if successful, yield the best benefit for patients,' was my reply.

'But I won't know that until we've completed the research,' came the swift rejoinder.

Here we'd hit the real judgement call. Whilst Steve's last remark was completely true and he couldn't know the real answer, he was undoubtedly the best person to make the call. Indeed, he was more likely than anyone else to beat the magical 50 per cent when it came to successes, or even become a star at 70 per cent.

The experience with Steve led me on to the notion of a staff college that would embrace the ongoing professional development of clinicians alongside that of hospital managers and financial controllers in what would be a brave new NHS. 'Working for Patients' made great sense and was extremely appealing to me. However, during my time with NHS Wales, I learned a lot but accomplished very little.

I was never in any doubt that John Wyn Owen, the director of NHS Wales, was passionate about delivering the best possible health service for Wales. He was a proud Welshman with an immense intellect, as well as an abundance of health management knowledge and experience. I saw him in action at conferences and seminars where he could deftly summarise the content of each speaker in just a few pithy sentences. The idea of establishing a staff college for NHS Wales was a pet project of his. He wanted to see it established in close association with the postgraduate medical school of the University Hospital of Wales in order to develop better interaction and understanding between clinicians and managers. It was music to my ears when I first heard about it. But as I quickly discovered, the desire to make something happen and it actually happening are two very different things in the NHS.

The idea of a staff college was greeted with good support out on the ground but with the strong proviso that it met with the needs of medics to learn and share with colleagues ideas on how to perform better, rather than simply being another vehicle from above to tell everyone how do their jobs. A big sticking point, however, was the director's preference to site the college within the University Hospital of Wales in Cardiff. There was strong resistance to this because it was widely felt to be just another example of the tendency of the service to centralise. So I made the suggestion that the college should be set up as a company limited by guarantee to be jointly owned by the various hospital trusts, so that everyone could ensure that the college met their individual needs. I was then informed by the Welsh Office finance department that, while they thought this suggestion a good idea, it couldn't be implemented because it was against Welsh Office policy.

Where the process really broke down was when it got in front of the

steering committee. While I had good access to John and, through his authority, everyone else in the service, I also had to report to a steering group. This steering group turned out to have a membership of well over twenty people, consisting of the great and the good from within and without the service. These were, without doubt, all intelligent and capable people, but they all had busy lives and commitments elsewhere that would give them little, if any, time to give serious consideration to my project. I began to form the view that these committees were peopled by an elite, who felt it was a worthy obligation to undertake, but didn't necessarily want to get too involved in the detail. Yes, there was mutual responsibility but clinging to an idealised view of what the real world ought to look like, it had nothing to do with the imperfect and messy real world. In other words, they were extremely busy being worthy, so there was no time to be worthwhile! I've found a similar scenario in the charitable sector where boards of trustees are often filled with worthies who are keen to be *seen* to be doing the right thing. This grandstanding is not always in the best interests of the charities they serve nor the needy they are trying to help. While, generally speaking, all charities are worthy, there's a need for considered judgement calls when choosing where and how to spend limited funds. That takes an investment in time which many trustees are too busy to give. They have another committee meeting to attend! It is all too easy to become a busy fool, trying to stretch your talents too far, so you actually achieve less than you could. It's yet another argument why bottom-up management works best. Involve more people by sharing out responsibilities with those who have the time and ability to properly shoulder them.

My suspicions regarding the staff college steering committee were realised when, after being dragged this way and that by the committee, my first report for consideration was deemed as 'not what I wanted' by the director, who went on to steer the project in his preferred direction. Whilst I tried to assist in that direction for a little while, I eventually decided to resign. I was taking a salary from the NHS that I didn't actually need, whilst not really achieving or contributing a great deal.

My reflections on this period led me to believe that the ideals contained in

‘Working for Patients’ could never happen while the service is under its present structure and, in particular, under such tight political control. ‘Working for the Minister’ was, and I believe still is, the order of the day. Since this is the case, the priorities of any public service will keep changing, being reorganised or redirected according to the political will of the current administration. This was illustrated to me very vividly shortly after my departure from NHS Wales, when John Redwood, the MP for Wokingham, Berkshire, replaced David Hunt as the Welsh Secretary of State. John Wyn Owen had developed a good rapport with David Hunt and they’d been able to agree on how NHS Wales should be managed. Apparently, John Redwood had other ideas, with the result that John Wyn Owen resigned to become head of the New South Wales health service in Australia. I don’t know whether John Redwood had any more knowledge about managing healthcare than he had of the words of the Welsh National Anthem, but I do know that any understanding of his in this area would certainly have been inferior to that of John Wyn Owen.

I do recognise that health services are possibly the most complex organisations to understand and manage effectively. But as long as they remain under political control, it’ll always be a case of them, the government, wanting to manage the health of we, the people, as a whole, rather than each of us, as individuals, being able to access the service that we want. Management is governed by rules handed down from above, rather than a dynamic process which needs to adapt and fit within what’s happening in an organisation right now. You could say that this is not far from what was epitomised by the famous five-year plans of the Soviet Union!

Bureaucracy getting in the way of common sense

I must admit I’ve been drawn to the notion that management guru, Peter Drucker, described in his book *Managing the Non-Profit Organisation*,³⁷ which suggests that what we actually need is an *Ill* Health Service, geared towards what we, the people, want (i.e. to be treated quickly and efficiently when we’re ill.) I’ve never understood why there needs to be overarching control of the treatment of patients in, say, Manchester and Birmingham. If the NHS was

indeed inspired by the Tredegar Medical Aid Society, perhaps we should've had a number of similar but more locally managed organisations rather than one giant NHS. This could be quite distinct from the promotion of better health and wise, precautionary matters of 'public health', where there is a greater need for national oversight as we saw during the Covid-19 pandemic. This is a thought, not a suggestion, since I'd wish to defer to the experts on such a matter, if they could be freed from political control.

Peter Drucker argues that under its present structure the public sector unknowingly drifts into carrying out activities that may not be related to their primary reason for existence. Without clearly defined goals, or with goals that are constantly changed in line with the political mood of the day, no one is able to ask the obvious questions: are we doing what we are supposed to be doing? Are we serving the right need? When you can't answer these fundamental questions, or properly assess the current status, it's impossible to plan for a better future. It seems inevitable that the NHS and other public services will continue to struggle.

There's no doubt that the individuals who work for the NHS and other public services are genuinely committed and hard-working. They want to win at what they do, day after day, and also to know that they've done so. But as I discovered on my tour of Welsh hospitals and medical centres more than two decades ago, morale is low. I believe that may even be more the case today thanks to successive cuts to services and numerous edicts from above to change this or that.

How often do we hear that bureaucracy is getting in the way of common sense? It's certainly a hallmark of the public sector and perhaps more to the point it's the way top-down management works. Some, like the German sociologist Max Weber, would argue that bureaucracy constitutes the most efficient and rational way in which human activity can be organised and that systematic processes and structured hierarchies are necessary to maintain order, maximise efficiency, and eliminate favouritism. He also noted, though, that its rigidity could be a threat to individual freedom. More recently, the term 'adhocracy' has arisen, which has more in common with bottom-up

management. Management guru, Robert H Waterman Jr, defined ‘adhocracy’ as ‘any form of organisation that cuts across normal bureaucratic lines to capture opportunities, solve problems, and get results’.³⁸ I suspect that what we need is the right balance between the two in all walks of life, including both the public and private sectors of our economy – which brings us back to the good old bell curve.

My observation is that bureaucracy in the public sector often crowds out common sense in order to follow rules to the letter and eliminate favouritism. I saw a real example of this when I was a member of the Science and Engineering Research Council panel tasked with choosing the university where an Optoelectronics Research Centre would be established. Six universities had made paper submissions on their proposals to create a world-class facility. The panel was charged with choosing up to three, which we would all then visit and probe more deeply, before coming to our final decision. Following our paper review, each of the panel members who, except for me, were all professors or heads of research institutes, duly put forward the names of three universities for second-phase consideration. It so happened that I was the last to speak. In contrast to my esteemed colleagues, I voiced the opinion that only two universities had met the stated criterion of convincing me on paper they could become a world-class centre. Since it was clear that everyone around the table agreed these same two were the most likely candidates and there was no consensus as to the third, why did we need to include a third in the next round? This was the cue for much nervous shuffling of papers and the response that it was simply fairer to do so. I didn’t agree and said so. How was it fairer to put a clear outlier to the trouble, cost and time of the panel’s visit, not to mention giving them the entirely false hope that they might be successful? After a short further discussion, it was unanimously agreed to go forward with visits to just two universities. This incident confirmed my notion that in the public sector the cost impact of decisions was deemed to be less important than staying within the guidelines and being seen to be fair. In other words, avoiding criticism comes at a cost.

Perhaps these scenarios arise because there is no *direct* pressure to get the

pricing of public services right. Yes, most people are convinced the NHS/schools/social services are underfunded, but no one can pinpoint exactly where the problem lies. You may recall in Chapter Three I noted that a simple formula for a successful business is to deliver what you said, when you said, for the price you said. In commercial situations, where there's fair competition, price is directly related to the cost of production. It's not quite the same in rentier or monopoly situations, where price is determined by how much an organisation thinks it can get away with. However, in both those situations, the price is set with one eye on meeting customer expectations about the value of an item being bought, because, if this doesn't happen, a sale won't be made. It is completely different in the public sector where the recipient of the service, be it health or education, isn't directly paying the bill. Thanks to this one step of removal from the reality, the pressure for change is far more generalised and, again, it leaves wriggle room for nothing specific to happen.

Perhaps this understandable situation might be somewhat mitigated, or even overcome, if the oversight of public sector organisations came from representatives of the general public (i.e. typical service users) rather than from the good and the great who are steeped in bureaucratic top-down management practices. Many years ago, I heard a story at the Royal Aircraft Establishment which highlighted the different perspectives that might be gained. The meeting was being held to discuss the development of an aircraft and a visiting contractor was astounded to hear that the cost of a new door lock was going to be well over £200.

'Good heavens!' he said. 'I could make one of those in my garage for less than a tenner!'

The wing commander chairing the meeting was not amused.

'Mr Jones, may I remind you that we are discussing aircraft engineering,' he retorted, his finger tapping the table. 'Aircraft engineering is expensive!'

The public sector is constantly under pressure to make cost savings, but it's not quite the same as being given the freedom to deliver a better service at an acceptable cost to the public in the way the public sector employees would choose. Better spending is what we really want, where 'better' means more

sensible and considered spending at the point of delivery. More often than not, cost savings are about dumbing down the actual service by doing things like outsourcing cleaning to the gig economy. In other words, trying to continue to provide the service as instructed from the top on less money in real terms. This includes continuing the endless meetings and reporting back up to the top in the way that it wants, irrespective of the way it's perceived by those doing the job.

This point was brought home to me when I visited the old (now closed) Port Talbot General Hospital in 1993. I was meeting with a group of middle managers to gauge their interest in and expectations of the then proposed staff college. One of them was responsible for collating all the monthly information from the hospital that was required by the powers that be. Apparently, it had to be in a very specific format, even though everyone in the room was united in the belief that it was utterly useless as a means of reflecting either the needs, or achievements, of the hospital.

'Have you told them this?' I enquired, feeling slightly incredulous.

'Yes,' was the firm response. 'But they insist that it is done in this way.'

There was no doubt that everyone in the room felt they were wasting their time and, not surprisingly, felt extremely frustrated about it. So much of what they were doing was worthwhile, yet no one ever got to hear of it, or, equally importantly, build upon it. I'm sure that an awful lot of what's done in the health service is brilliant, despite the multiple barriers to working effectively. Unfortunately, most of the higher-ups who could make changes have no idea about that. They can't decipher the reports!

I'll end this chapter with what I hope is a small, but positive suggestion as to how delegation of responsibility to a lower level might improve the NHS. This concerns the use of waiting time directives, which were first introduced when I was at NHS Wales. These came in as edicts from the top when we had a Conservative government and were significantly expanded when Labour took over in 1997. While the concept has the obvious benefits of good intent and apparent transparency, it's largely a political football – 'We can offer better times than the other lot!'

Wouldn't it have been better to have a policy that required each hospital to post its own waiting times, according to what it could actually achieve? This wouldn't have generated the knee-jerk shenanigans that some hospitals resorted to going through in order to comply with the edict, such as seeing the less urgent cases first because they generally took less time than the more urgent ones. In other words, doing what those in government wanted, rather than what they at the coalface thought was best for the patients. Don't get me wrong, I'm all for transparency and shorter waiting times, but they have to be realistic. Through accurate publishing of what was really happening, hospitals could have compared themselves with each other and sought to emulate the best. They could even have chosen to consult with each other, or with patient representative groups to share best practice, so that local circumstances were better understood. I never met anyone within the service who wanted longer waiting times. They were all personally motivated to do their best for patients, but understandably limited by the time-consuming pressure of the top-down edicts and report back procedures in order to avoid criticism. Which I think is where we came in!

Just a footnote, in case you're wondering what happened to the NHS Wales Staff College.

A quick google brought up the following two references.

<http://www.wales.nhs.uk/documents/pilotbrief.pdf>

<https://www.amazon.co.uk/Lessons-Learning-Leadership-Staff-College/dp/1412029252>

I'll leave you to judge for yourselves.

Can Gerry Robinson Fix the NHS? One Year On. BBC Two, 12 November 2007.

Drucker, Peter, *Managing the Non-Profit Organisation*, Routledge, 1995.

Waterman Jr, Robert H, Adhocracy, *The Power to Change*, WW Norton & Company, 1994.

From Politics

In the grip of the plutocrats

You won't be surprised to find that my political outlook largely echoes the philosophy of Ricardo Semler, the Semco boss who espoused a far more participatory, bottom-up, approach to life. While Semler focused on his most compelling management technique in business, it seems to me that politics too has much to learn from this more collegial style of governance. Wouldn't it be refreshing if our political parties followed the lead of Semler, who said to his people: you can ask me one question, but the rest of it you can solve yourself. In this, I actually agree with the MBE for once. We need less, not more government! However, rather than abdicating its responsibility for controlling the economy to the MBE and the worst form of rentier capitalism, it should delegate its responsibility to we, the people, who actually live and work in the real economy, while confining itself to providing better and wiser oversight. We need wise leadership not tight control designed to meet the needs of the MBE.

I have to admit that when it comes to politics, I'm in the most part only able to offer my thoughts and observations, since I have little experience in Westminster, and virtually no exposure to politics at a party and local level. However, I'm politically aware, follow the news closely and, through my work, have had a range of first-hand dealings with a number of senior politicians, all of which has enabled me to experience a small snapshot of politics in action. Each of these experiences have combined to add to my contention that we need wholesale political change in order to run our country in a better way.

The gulf between what political parties say and do, and what individual communities want them to do, seems wider than ever right now. Voters crave clarity, certainty and confidence that the ruling party will handle complex issues well and yet most of the time Westminster seems focused on, well, Westminster. Those in the so-called Westminster bubble certainly appear to be far too obsessed with the optics, particularly that of the prime minister, than the actual substance.

My own personal experience of this occurred back in the mid-eighties although, from what I can see, not much has changed since. This was the time that the UK, along with the rest of Europe, raced to find a meaningful response to the so-called Star Wars programme launched by the then US President Ronald Reagan. This was America's futuristic Strategic Defense Initiative (SDI) missile defence system which sought to make advanced weapons using lasers or particle beams to 'shoot' missile systems out of the sky. French President François Mitterrand came up with the EUREKA concept in a bid to prevent a widening of the transatlantic technology gap and, of course, lasers had to be part of the programme. Following the inaugural meeting of what became the Eurolaser programme, where I was part of the UK delegation, I was asked to chair an international committee to define the target specifications for the development of more powerful solid-state laser systems for industrial use. Having done this, companies across Europe were invited to submit bids for funding at a hitherto unprecedented level, provided the proposed programme included collaboration with at least four other companies from different European member states. (Each country had agreed to fund its share of the total pot.) It was at the point of completing such an application for a project to be led by JK Lasers, in collaboration with companies from France, Germany, Italy and Spain, that I received a call from the Department of Trade and Industry asking me to have it in by Friday.

'We'll then give you the OK to start next week,' they continued.

'But what about the scrutiny and approval process?' I queried.

'Oh, we trust you, Jim, and, besides, Mrs Thatcher wants to announce it as a British First when she takes over the Presidency of the EU and chair of the

Eureka programme next week.’

I like to think that they were right to trust me, but it was clearly a decision taken to enhance the Prime Minister’s image on the political stage, even if in only a very minor way.

While that particular development programme was hailed as a success as far as JK Lasers was concerned, it also demonstrated to me the negative aspects of top-down politics. Yes, I enjoyed finding the companies with whom we collaborated and meeting the people within them. Some I already knew, like Air Liquide in France with whom we were already collaborating on a natural common-interest basis, whereas others, like Olivetti in Italy, were less natural fits, but were included in order to meet the political rules. However, the development funding wouldn’t have been available without all of the political ballyhoo. Companies are obliged to take part, because otherwise they’ll lose out to competitors that do. More to the point, this not only means real competitors, but also companies who almost solely exist due to their ability to obtain government funding and probably wouldn’t exist without it. JK Lasers was a successful company before the Eurolaser programme was announced, but the very existence of the programme caused us to divert attention from what we were doing in a way we wouldn’t have chosen to do otherwise. We were leaders in our technology and I sincerely believe that we could have achieved more for the company, its employees and the UK, if the same financial support had been provided without the constraints of the artificial political rules surrounding it. I’m not saying that government funding shouldn’t be monitored. It certainly should be and preferably more so by peer groups than bureaucrats. But such funding would be more effective if directed by those actually doing the work. It’s akin to the excessive hoops that hospitals have to go through to meet the needs of government, which tends to divert them from the needs of their patients.

No single party has the monopoly on good (or bad) ideas

You’ll probably have gathered already that my personal leanings are left of centre, though I hasten to add not by much. In fact, I’d rather be in the actual

centre of the bell curve that I described in Chapter Four. I'm a great believer in the notion espoused by Roy Jenkins, which was that no one party has, or can have, a monopoly on good ideas. Perhaps that's not surprising, since he was at various times a Labour Home Secretary and Chancellor of the Exchequer, a founding member and leader of the Social Democratic Party and finally a member of the Liberal Democrats. I was thus hugely attracted to the formation of the alliance between the Liberals and the SDP in 1981, which achieved an opinion poll rating in early 1982 of 50%, comfortably ahead of both Margaret Thatcher's Conservative government and Michael Foot's Labour opposition. Sadly, what to me seemed an unnecessary war in the Falklands intervened, which revived Mrs Thatcher's fortunes. It so happened that at the time of the war my wife and I had been invited to a reception for successful companies hosted by No 10. We arrived during a war cabinet and had to await its members' presence at the reception. When they arrived, led by the prime minister, I recall being struck by an almost jingoistic atmosphere in the room, which of course later permeated the nation and resuscitated Mrs Thatcher's ratings. Strange thing, politics! Who knows what would have happened if Argentina hadn't invaded the Falklands?

This, I believe, was the beginning of the cult of presidential-style leadership that now embraces our politics. All eyes are on the prime minister and on what he or she says. Little heed is paid to those lower down the ranks, or at a local constituency level. And, it appears, the bigger, more media friendly the personality at the top, the most likely the electorate is to overlook any other shortcomings. This cult of the personality is actively supported within the system too. I first noticed this at that Downing Street reception, when we enjoyed a long conversation about JK Lasers' achievements with Nigel Lawson, who was then the Secretary of State for Energy. As a result, he was keen to introduce us to the prime minister to convey some of the context of our discussion and was actually quite insistent about it. However, in spite of his seniority in the government, it proved impossible for him to approach her, as she posed for a series of photographs with other attendees. These were the pre-selfie days, but she was completely in tune with what everyone seemed to want:

a picture with the PM. It was all about being, or being seen, with the prime minister rather than the purpose of the gathering, which was to celebrate the business successes of the invitees.

If no one party has a monopoly on good ideas, I'm even more certain that no one person can have, or be the custodian of, all the good ideas, and yet this personality cult is growing. We live in a far too complex world for one person to get their minds around all of the issues, let alone be a fit person to take most, if not all, of the decisions. The question should always be, 'What's the best course of action given all of the circumstances?' rather than 'What does the prime minister think?'

I am not convinced that all of our prime ministers, including Mrs Thatcher, actually craved the spotlight as a priority. Perhaps some are driven by a desire to be in the limelight and the focus of attention, but I believe that most have felt that they were best placed to lead the country in what they and their party thought was the best direction. Their motives were more altruistic than selfish. However, once in power, nowadays it seems it's the system that constrains and fashions them. The 24/7 media circus plays a very large part in this. They compete to sell 'breaking news'. Even better if it's about conflict and disagreements in order to get more headlines, or airtime. These over-blown stories crowd out time and space for proper consideration of any new issue, however serious. Things have changed a lot. I remember a news clip from when Clement Attlee was prime minister in the late 1940s. As he got out of his car to go into Number 10, a reporter asked him if he would like to comment on some breaking news. He paused, thought for a moment and then politely replied, 'No thank you!', before passing through the famous door. Perhaps it's little wonder he had time to achieve so much during his term in office. Even though he's recognised by some as Britain's greatest-ever prime minister (certainly as a Labour one), I'm sure he wouldn't stand a chance of becoming leader today.

Today's prime ministers have to do their best for the country, while fending off the never-ending pressures of the media and the global financial market, not to mention the dogmas of the extremes of their party that harmfully

polarise our politics to the detriment of us all. Given the complexities of governing a modern country, it is ludicrous to think that there are just two well-defined ways of doing it that can be neatly packaged in a red or blue box.

My only prior attempt to influence this situation was during the 1987 general election campaign, when the SDP and Liberals were standing under an Alliance banner. They were not fielding candidates against each other, but supporting each other to the best of their abilities. Up until this point, I'd never donated to any political party, having long since formed the opinion that, as an individual, I had little or no influence, so what was the point? (I'm not alone in this view. According to the Hansard Society's audit of 2009,³² 85 per cent of the population are in the same position.) Nevertheless, as noted earlier, I'd been drawn to the alliance of the SDP and Liberal Parties, so I finally put my money where my head was ahead of the election and made a small, yet significant, donation to my local Liberal candidate's campaign. It made little difference, since the SDP and the Liberals lost out thanks to Mrs Thatcher's popularity and a somewhat resurgent Labour party, which had moved towards the centre under Neil Kinnock. It also lost out in terms of seats due to its broader national appeal, since the first-past-the-post process favours the two-party system. Even so, it only lost one of its seats. It was this result which prompted the two parties to start serious talks about a merger.

Although my donation hadn't helped the Alliance's performance, it did confirm the fact that money does buy opportunities for political influence. I was subsequently invited to a dinner at the National Liberal Club and a lunch at the House of Commons with David Steel. The conversation at the lunch was dominated by what name to call the merging parties. My suggestion was to call the new entity the Alliance. To me, this simple name represented both a greater sense of togetherness and a complete break with the past. However, it wasn't to be. The members of both parties both insisted that their name was included. The Liberals argued that their loyal party members who went out canvassing from door-to-door would never accept losing the Liberal moniker. Meanwhile, the SDP had similar concerns and wanted equal billing, so it looked like a merger, not a takeover. As the argument went back and forth,

getting precisely nowhere, it seemed to me that, typically of politics, everyone was too focused on and worrying about what they were losing, which left precisely zero space to consider anything better. The episode, sadly, not only confirmed to me the factious nature of politics at the party level, but also that it's controlled by a very small number of actual members. The name when it was eventually agreed, Liberal Democrats, was, to me, only ever a meaningless mishmash. A completely new name was exactly what was needed in the eyes of the electorate. It would have been far more powerful if the merger announcement could have been along the lines of: *Yes, this is a new centre party and here is our new name.* The mishmash indicated to anyone who cared to look that nothing had changed and it could soon fall apart and that's exactly what happened.

Politicians have the right motivations, but little wriggle room

I'm not alone in feeling that Westminster is tone deaf when it comes to what constituents really want. Politicians appear to be forever engaged in squabbling amongst themselves about something as inconsequential (in the grand scheme of things) as a name, or whatever other matter concerns the Westminster bubble at a given time, when all the while there is so much else to be fixed. After years and years of this meaningless back and forth, I sense a certain frustration when it comes to voter choices. People have either to vote for one of the red or blue packages, or for any of the other parties that also have positive ideas worthy of serious consideration but absolutely no chance of gaining power. Manifestos are barely given a second glance (perhaps because of the oft-heard mantra that no government sticks to its promises) so we don't pick and choose policies, or a candidate, on their merits. In effect we choose the red or blue box that we hate the least. Thus we have a very polarised tribal political system that nobody really wants. There's an interesting figure from American politics (which is arguably even more polarised than the UK) which says that in the 1950s, only 10 per cent of voters had negative feelings towards the party they did not support. Today, that number is 90 per cent.⁴⁰

I'm conscious that this may all sound rather negative towards politicians as

a whole. It isn't. My view is that, in the main, individuals go into politics for the right motivations. Politics is a public service after all, and many bright and charismatic MPs could well earn far more elsewhere in industry, or running their own businesses. We ask a lot from MPs too, who are subject to endless media and online scrutiny. Selflessness, integrity, objectivity, leadership, accountability, openness and honesty⁴¹ are all key qualities asked from our elected representatives. The big question though is, if the House of Commons is stuffed full of individuals who do have the full set of these inspirational qualities, where has it all gone wrong? Why can't they fix it?

I believe that I found at least part, if not all, of the answer in the report and conclusions of the 2008 Speaker's Conference on Parliamentary Representation. Among other associated matters, it was set up to 'Consider, and make recommendations for rectifying, the disparity between the representation of women, ethnic minorities and disabled people in the House of Commons and their representation in the UK population at large'.

It was all very laudable and politically correct, and it did indeed do just that. The report was almost entirely about how to overcome the predominance of white males in our political parties, and then hopefully in parliament. But the conference members clearly couldn't see the wood for the trees – perhaps because they were all trees! By far the biggest unrepresented group of citizens is the more than 98 per cent of us who do not belong to a political party at all. The focus of this report was not surprising for two reasons. Firstly, the committee consisted entirely of MPs, albeit from all parties. Secondly, and most importantly, the first conclusion highlighted in bold in the original, read as follows:

Political parties are the mechanism by which people of any background can be actively involved in the tasks of shaping policy and deciding how society should be governed. While they are not perfect organisations, they are essential for the effective functioning of our democracy. Without the support of political parties it would be difficult for individual Members of Parliament, as legislators and/or as members of the Executive, to organise themselves effectively for the task of promoting the national interest – including by challenge to the Government, where that is

*necessary and appropriate – and ensuring that proposed new laws are proportionate, effective and accurately drafted.*⁴²

In spite of the acknowledgements in Section 2, under the banner heading of ‘The Failure of Political Parties’, the report writers accepted the Hansard Society’s finding that 85 per cent of people feel that they have little to no influence over national decisions. Further on, in Section 3, entitled ‘The Importance of Political Parties’, they again highlight the above paragraph while at the same time charting the continual decline of party membership and identification with political parties from 1964 onwards. The only conclusion I can draw from this is that maybe there’s a clear opportunity for politics to learn something from business. If a product isn’t selling, you certainly need a better product.

Another interesting note in the same report says, ‘A political party acts as a brand: because it is associated with certain values, ideas or actions the public in general should know, in broad terms, what people who associate themselves with that brand stand for.’ This seems to confirm my earlier assertion about the nefarious ways that party messages are developed, as well as the requirement for would-be parliamentary candidates to be good at selling such messages. MPs need to be more equipped in the talents of sales and marketing than as responsive managers. Perhaps it’s little wonder that they accept without question, and promote, the notion that political parties are essential to the functioning of democracy. They offer no justification whatsoever for this assertion. They’re simply accepting the divide and rule philosophy of the plutocracy while pretending that it’s democratic.

Opportunities for new political systems

Political parties are clearly not essential and, of course, there’s always a better way of doing things. It’s even more essential to find a better way when the present one isn’t working. Fortunately, the outline of alternative types of political structure has not completely vanished from sight. Indeed, in recent years there have been two promising developments: so-called Flatpack Democracy and More United. Both are a product of the ongoing

dissatisfaction with the tribalism of existing political structures and a desire to find a new and more effective way of conducting political discourse and activity than exists at present. People are asking real questions about what happens when you take away the labels and the stereotypes. What do our politicians really stand for? How could they be encouraged to use their voting power so it more accurately reflects the will of their constituents? Elections are, after all, supposed to be a contest of ideas, not brands!

Flatpack Democracy is a movement which began in 2010, in Frome, Somerset, with the stated aim of 'taking political power at a local level, then using it to enable people to have a greater say in the decisions that affect their lives'. It was instigated by Peter Macfadyen, a Frome resident of thirty years standing with experience of working for disability charities. He was frustrated by the inaction of the then town council, which seemed mired in bureaucracy and protocol. Macfadyen got together with a group of locals who were similarly fed up and put up a bunch of independent candidates for the town council's seats. Their philosophy was simple. There would be no political affiliations and therefore no whipping on council votes, disagreement and discussion were to be encouraged and a new effective way of working was to be sought. At the May 2011 elections, 10 Independents for Frome (IFF) won seats on the town council and took control. In the ensuing four years before the next election, the group got busy. The £1 million the town council received from council tax, plus £250,000 donated by a local philanthropist who was encouraged by the idea, were used to invest in Frome via a new community interest company. A further £750,000 was borrowed (in the face of opposition from local Conservatives who thought austerity should stand at a local level) and invested in regeneration schemes. A renewable energy cooperative was launched and a 'share shop' where townsfolk could borrow everything from drills to toys. How did all the initiatives go down? Well, the results of the May 2015 elections speak for themselves. IFF took all 17 seats on Frome's council.

One of the things I found most interesting about this achievement has been the reaction of the mainstream political parties. After losing control in 2011, the mainstream parties came back in full force in 2015, to take back control, as

the Conservative government is so fond of saying. They were, of course, unsuccessful and got a rather bloody nose, losing out entirely to the independents. It is what happened in the next election that is perhaps the most telling. In the 2019 council elections, the Conservatives did not field a candidate at all. However, Labour which was then under the leadership of Jeremy Corbyn did. To me, this indicates that the middle of the road Tories had accepted the growth of independents, at least on a local level, but the more extreme side of the left was not yet ready to throw in the towel and give power to the local population. This is, perhaps a little ironic for a socialist party! In any case, here we have a clear demonstration of democracy actually working without political parties. The system hasn't collapsed.

But what of More United, the other experiment in a new kind of politics? More United shares many of the principles of Flatpack Democracy, except it operates on a national level. Founded in 2016, this was a cross-party response to the political upheaval caused by the Brexit vote, supporting the need for a radical overhaul of Westminster politics. The idea was simple; it's indefensible to ignore the widespread view that politics isn't working. Polling conducted by the Electoral Reform Society shows 85 per cent of people feel politics isn't working, and 80 per cent feel they have little or no influence on decision-making. The core philosophy to move towards change is for MPs to work cross-party in Parliament, regardless of who is in power. While more than 150,000 people have signed-up to the movement, as well as MPs from seven parties, there's a sense that some politicians were not as keen as others to buy into the concept. To date, More United has achieved little more than pushing forward several amendments. Though important stuff, such as making sure deaf and disabled candidates are given extra funding so they can run in elections and changes to unfair immigration laws, it seems as though there's a very long way to go indeed before we see any meaningful change. The vast majority of MPs are regrettably still led first and foremost by the party whip.

What lessons then, could More United or, indeed, any other organisation seeking political reform, learn from Flatpack Democracy which has worked so well on a local level? A good starting point would be the, well, starting point:

how candidates are chosen. Most of the traditional parties draw their candidates from a very limited pool and, in the unelected House of Lords, that pool is even smaller. In Frome, an advert is put in the local paper, seeking candidates. The application process is simple. Anyone who is interested simply needs a telephone number and an email address and is asked to write one side of A4 paper detailing what they want to do for Frome. They also have to agree to accept, if selected and then elected, the following ways of working which I have detailed in full because I believe they are worth noting:

The Independents for Frome Ways of Working

'The noble art of losing face will one day save the human race'.

These Values and Guidelines have been drafted by the group of 17 independent individuals elected to Frome Town Council in May 2015. They are based on original Ways of Working adopted in 2011. The **Five Core Values are:**

Independence. We will each make up our own mind about each decision without reference to a shared dogma or ideology.

Integrity. Decisions will be made in an open and understandable manner. Information will be made available even when we make mistakes, and everyone will have the opportunity to influence decisions.

Positivity. We will look for solutions, involving others in the discussions, not just describe problems.

Creativity. Use new, or borrowed, ideas from within the group and the wider community to refresh what we do and how we do it.

Respect. Understand that everyone has an equal voice and is worth listening to.

We will adhere to these values by challenging ourselves and each other to:

1. Avoid identifying ourselves so personally with a particular position that this in itself excludes constructive debate.
2. Being prepared to be swayed by the arguments of others and admitting mistakes.
3. Be willing and able to participate in rational debate leading to a conclusion.
4. Understand the value of constructive debate.
5. Accept that you win some, you lose some; it's usually nothing personal and there's really no point in taking defeats to heart.
6. Maintain confidentiality where requested and agree when it will be expected.
7. Share leadership and responsibility and take time to communicate the intention of, and the approach to, the work we undertake.
8. Have confidence in, and adhere to, the mechanisms and processes of decision-making that we establish, accepting that the decisions of the majority are paramount.
9. Sustain an intention to involve each other and others rather than working in isolation.
10. Trust and have confidence and optimism in other people's expertise, knowledge and intentions. Talk to each other not about each other.

Candidates are chosen by sortition, or drawing of lots, which means there's a broad range of views from all sides. It would, after all, be very unusual to find 17 people with the same views on how to do anything, and they didn't. Similarly, it's unlikely to find a group of the same number where everyone was

immediately best buddies. Each person had their own affinities and views. That's the beauty of the system. It also raises the challenge of cohesion and requires a large amount of effort to make sure everyone is properly heard. The overall aim is to tease things a long way away from the whip system where representatives are controlled more by their respective political parties than by the needs of their constituents.

The participation of Frome's constituents is key to how Flatpack Democracy works. To ensure people were not turned off by the turgid bureaucracy that previously characterised town council meetings, a lot of the old traditions were dispensed with. Gone is the old format, where the clerk walks in first and the members stand, followed by the entrance of the mayor and the saying of a prayer. Neither does the public now have to write in beforehand if they want to speak. Again, it has gone down extremely well and the more friendly and open town council meetings are very well attended. Indeed, there are crowds of people at some meetings. Compare this to the system at Westminster, which still sticks rigidly to some sort of Victorian past, come what may. The spectacle of MPs standing in kilometre-long, socially distanced queues to vote in person at the height of the Covid-19 crisis was extraordinary. Yet, parliamentarians insisted that the tradition was crucial, despite the fact it was perfectly feasible (and prudent, given the circumstances) to vote electronically. Little wonder the Electoral Reform Society branded the situation 'beyond a farce'.

The Flatpack approach to leadership is interesting too. In Frome, mayors serve a one-year term, but, because of the range of views on the council, they act more as a chairman than as a dominant leader. The approach appeals more to common sense and problem-solving, rather than tribal prejudice and partisan attacks.

More United's approach is less radical, as it isn't in itself seeking to obtain power by replacing MPs. Rather it's offering support to MPs and parliamentary candidates of any or no party who sign up to their core values, which have much in common with the those of the IFF. These are:

Opportunity: we need a fair economy that bridges the gap between rich and poor.

Tolerance: we want to live in a free, diverse society where our differences are celebrated and respected.

Democracy: we want you to have real influence over politics.

Environment: we must do everything possible to tackle climate change and protect our environment.

Openness: we welcome immigration but understand it must work for everyone, and believe in bringing down international barriers, not raising them. We also want a close relationship with Europe.

The emphasis is on the fact that the principles of the movement are more important than party political loyalties. The fact that More United has yet to make a huge impact on the political environment seems testament to just how much MPs actions are dominated by party political control. Even if MPs want to break out from under the weight of overbearing leadership there's little wriggle room. Thanks to the whip system, MPs are compelled to vote the way their party tells them to. The system is ruthlessly enforced to make sure MPs toe the line, with the constant threat that if they don't comply, the whip will be withdrawn and they will be kicked out of the party within Parliament. We saw this happen during the lengthy series of Brexit votes, where parliamentary grandees such as Sir Nicholas Soames, Churchill's grandson, and Ken Clarke, who'd been a Tory MP for 49 years, were among the 21 Conservative MPs who had the whip removed. (Interestingly, both were retiring from politics at the end of their terms, so they didn't need to worry about how their stance would impact their future promotion prospects.) It's hard to see how this system is serving the needs of constituents, especially since many of the MPs who rebelled said that they were trying to do just that.

Those who seek to defend the current system will argue that national politics does not lend itself to an entirely independent system. It allows for government to be quickly formed, the argument goes, and it would be impossible to work out who does what if all of the 650 parliamentary seats were held by independents acting on behalf of their constituents. Who would be in charge? Who would set the policy programme? There'd surely be too many competing proposals. Even if common ground could be found, it would take a very long time to find consensus. This, in turn, would encourage independent MPs to only pursue the easy wins which would show their electorate they'd achieved something, and therefore lead to their re-election, but which might not necessarily be to the benefit of UK plc. My view is that this broad-brush dismissal is neither correct nor helpful. We should at least be having the conversation about alternative options and how we can form a useful, active and democratic government which is focused on the will of the people, not the interests of the controlling plutocrats. Once again, may I remind you that there's always a better way of doing it. It may not be More United's or Flatpack's, but it's surely out there.

Overall, what I find most appealing about Flatpack Democracy is that it errs towards less rather than more government. The onus is on making decisions according to what constituents want and then handing over to constituents to implement the decisions. It works brilliantly well in a management setting, in running companies, so it seems a logical extrapolation to say it would work in politics. All the signs seem to indicate this is true too. In Frome, for example, there was a high demand for a larger supply of allotments. The council recognised this demand, bought the land and then turned it over to the allotment society. There was no need to approve what was done with the land, or look over people's shoulders and ensure the land was used as intended and met some sort of meaningless Return on Value calculation. The council simply let everyone get on with it which worked perfectly well. There was less vandalism than usual too, because everyone in the area had a vested interest in the initiative.

There are many similarities here with what I've written about science,

business and public services. Good leadership isn't about knowing all the answers but about good husbandry of all the knowledge within the community you're leading. It's the same for a company, hospital, local council, or national government. No matter how inspirational the leader, at the end of the day they can't do everything. In fact, the best they can do is inspire others and leave them to come up with the solutions that will change things for the better.

There'll always need to be some sort of recognised leadership position in politics, but as Flatpack has demonstrated, it doesn't have to be all-encompassing and there's absolutely no need for the same leader, or leadership views to endure year after year. Most importantly, there needs to be less micromanagement.

While it's impossible not to admire anyone who wishes to serve as an MP, there needs to be an environment where individual MPs have more of a say in what they're doing, so they can truly represent their constituents. They need to be able to inspire the people they represent and, as brought out in all these chapters, bottom-up management seems prudent. It's the people on the ground who know what's really important. We need our politicians to be leaders and facilitators of what the people want to do. To make this happen, they need to bring the relevant experts together to decide the best course of action. Yes, at times, they'll need to make the judgment call, but that judgement should be based on the will of the people, not political expediency.

Peter Macfadyen has never once said that he's solved the problem inherent in our local political system, but it certainly seems that he and his group of independents are at least heading down the right path towards finding a better way. The independent councillors have done more for their local area than any of the previous regimes and this was borne out by the public approval via the ballot box. The clear message here is that getting rid of the traditional system of adversarial party politics is in the best interest of everyone.

Speaker's Conference on Parliamentary Representation

<https://www.wbur.org/cognoscenti/2018/10/30/get-rid-of-democrats-and-republicans-steve-almond>

The seven qualities are the Nolan principles which underpin the concept of Standards in Public Life, which were drafted after the cash-for-questions scandals of the 80s and 90s.

<https://publications.parliament.uk/pa/spconf/239/23904.htm>

PART THREE

The Way Ahead

Taking Stock and Defining the Destination

The sum of my thoughts

I first thought about writing this book more than ten years ago. I'd recently finished Tony Wilkinson's *The Lost Art of Being Happy*,⁴³ subtitled *Spirituality for Sceptics*. It wasn't that I was unhappy, but I was a sceptic. I'd given up on religion in my early twenties, when I realised I didn't believe that Jesus had died on the cross to save me, or indeed that any god of any religion ruled the world. However, I believed in the morals that I had learned about from the bible stories of my upbringing and which I believe are more or less duplicated in most other religions. Although I came across this book through Oliver Burkeman's newspaper column, 'This Column will Change your Life', it was the book itself that did. Well, OK, it didn't actually change my life, so much as my understanding of it. It showed me that I did, in fact, have a spiritual side as well as one as a pragmatic scientist-turned-businessman. More importantly, as far as this book is concerned, it ended with a brief description of what life would be like if we all indulged in the practice of happiness, but it continued, 'Do not worry. It isn't going to happen!' What a red rag to fly in the face of an entrepreneur who has long believed that there are always better ways to do things if you put your mind to it.

This all set me thinking and encouraged me to follow the book's advice to seek a mindfulness meditation teacher. I was fortunate to be introduced to Alastair Reece, a qualified mindfulness teacher, as well as a doctor and specialist in pain management. He not only taught me the basics of mindfulness, but also introduced me to books about ancient philosophy with their many

different ways of looking at the world. He recognised me as a natural dreamer but, incidentally, didn't share my dreams about the possibility of changing the way that the world works. It was Alastair's encouragement, though, that led me to carry out further reading and acts of self-discovery that finally led me to write this book.

This has all been quite a journey for me, and, as the heading for this final section suggests, it hasn't ended. Finding a better way to run our country is still my dream, as I hope it will be for others who read this and who may wish to share, or improve upon, my dream to make it anything close to a reality. I'm a realist. I know the results of all of this won't produce a Utopia, but it could create something that's an awful lot better than what we have now.

Before setting out my thoughts on the future, let me summarise the inescapable, at least for me, conclusions that I've reached so far:

- Money is only a concept for facilitating the fair exchange of goods and services. There are no moral reasons why it should be allowed to grow via private investment. An ounce of gold deposited in a bank for safe keeping would not increase its weight, so why should money?
- We live in a plutocracy that masquerades as a democracy. Its leaders, i.e. the wealthiest 1 per cent of the population, value the accumulation of wealth and power above all else and constrain the policies of our main political parties to meet their, as opposed to the country's, needs.
- Economics is a matter of opinion and is definitely not a science. It has useful method-ologies, but they should be better applied to the collective opinions of all the people not just the plutocrats. The economy is not about money, but about how a society organises itself to most efficiently further the interests of that society and all those within it.

- The driving force of our real economy is work not money. It's what we do that counts not who we are, or what we have. Incidentally, what we do is more likely to make us happy than what we have.
- GDP, as currently measured, is a false measure of the economic well-being of the majority of UK citizens. Furthermore, its continuous growth is unnecessary and exacerbates climate change as well as the greed and envy that divides our society. New measures need to be adopted that reflect the interests and well-being of all UK citizens.
- The UK government needs to take control of, and manage, the whole of the economy. Financial market forces are an ineffective management tool manipulated by the wealthiest 1 per cent for personal gain. That manipulation has been vastly expanded by the emergence of the Global Financial Market, which no government can control.
- Our present parliamentary political system is a roadblock to effecting such beneficial changes to the management of our whole economy. This is because our elected MPs are constrained to represent the dogmatic interests of their political parties rather than those of the well-educated electorate as a whole. This has led to right/left polarisation of politics that is driven more by fear than common sense.

The question now is: what might a better political system look like and what would it be able to do to create a fairer and more contented society in the UK? To try to answer this, I'm going to borrow from the approach I used in the development of new products. I'd start, as I've already done here, by thinking about what I perceive as the future needs of my target market, which are currently unmet by existing products. I would then dream about what an ideal

product would need to contain in order to meet those needs. This would be followed by conceptualising what such a product might look like, given both the technology that I knew already existed and also what I thought it might be possible to develop. In other words, it could be a rather vague concept – a ‘through a glass darkly’ affair, as the expression goes. I’d seek similar vague concepts from colleagues to meet the same perceived needs and then we’d compare them in brainstorming sessions where a common concept would hopefully emerge through a slightly less murky glass. The actual development process would then start, where the final product would emerge after careful research, prototyping and final testing. The final product is rarely exactly as originally envisaged, but what was most important was that, as far as possible, it met the needs for which it was intended.

While I cannot go through that whole process in this book, what I can do is set out the initiating process by defining the management challenges that a more realistic democratic government needs to be able to overcome. This will be followed in the next chapter by my outline concept of what that democratic system of government could look like.

The general consensus that our political and economic system is not working as well as it might is not in doubt, yet to date no one has proposed a better system. Indeed, it’s rare to see even small shifts towards any sort of meaningful change, certainly none that have gained anything close to majority support. My firm opinion is that it’s largely due to the wide-ranging influence of the 1 per cent who are keen to protect their vested interests and don’t hold back in doing so. What must also be significant is the difficulty most individuals have in visualising how it’s even possible to make effective changes to such a complex system. It’s not as though one can drive our current broken one to the tip today and start using the one freshly delivered by Amazon tomorrow. Also, there’ll inevitably be many different opinions about what those changes should be, how they should be made and where they would lead us. This is where a wide-ranging meaningful debate would be a helpful exercise before any concrete decisions are taken. It’s never possible to incorporate every idea, so we’d have to flush out the ‘must have’ from the ‘nice to have’ needs, or

more simply, separate the 'musts' and 'wants'.

My purpose here is to start that debate by outlining my own suggestions for the 'musts', which I've listed below, split between the political and the economic:

Political musts:

These are necessary to end the domination of party politics in parliament.

1. Selection of parliamentary candidates to be undertaken by independent constituency means.
2. Elected MPs to sit without any obligation whatsoever to any political party and to be able to vote as they think fit in the best interests of the country and their constituents.
3. Major policy proposals to be debated in all con-stituencies prior to consideration and enactment in parliament.
4. Election funding to be provided entirely by the state and fairly distributed on a constituency basis.
5. Reform/replace the second chamber to make it more democratic.

Economic musts:

These are necessary to end wealth extraction by the rich.

1. Accept the inherent truth from Modern Monetary Theory (MMT) that it's unnecessary for the government to borrow from the rich in order to fund public/common sector activities.
2. Government to absorb the financial sector (MBE) into the real economy and take control of all future third-party UK investment needs.
3. Reward people for what they *do* and not for what they *have*. Place management of all productive

organisations, whether in the public or private sector, firmly in the hands of their employees.

4. Gradually make the UK independent of the global financial market.

I suspect your initial response to this list is that these ‘musts’ are all very simple, to the point of being naive. You may well be right, but it’s my experience that complexity is frequently used to confuse rather than to clarify. It’s not in our best interests to compete with the complexities and financial shenanigans that abound in the MBE, let alone get involved with the way that they’ve nefariously funded political parties and election campaigns. These are the things that need changing if we truly want a democratic system of government that we can all understand, take part in and be proud of.

I’m a firm believer in the Keep It Simple Stupid, or KISS principle, since it aids clarity and purpose, particularly when defining needs. Similarly, my outline concept for a more democratic political system, as described below, is equally simple. It’s my hope that it can be readily understood and recognised as preferable to our present system, which as it stands has absolutely no chance of satisfying my suggested ‘must’ needs.

Once again, what’s written here represents my own thoughts on the sort of system that, if supported by the majority of the 90 per cent, might over time deliver on the ‘must’ needs. I have no doubt whatsoever that others will be able to sharpen and improve upon my initial concept, or, more likely, propose a better one. What’s most important is that people recognise that we could have a different system from the present one, with characteristics that would be

better for the *vast majority* of UK citizens, not the few. By creating a vision, albeit a hazy one, of what it might look like, I hope to have taken the first step in the engagement of others, which will help us all make real progress towards some, if not all of the goals. It's a big job – I'm aware of that – but we are not just tinkering with this or that. We are designing an entirely different and better system.

So, what is my hazy vision?

1. Our government needs to be based on a bottom-up style of management, whereby those below have the power to change what is above them. Obviously, there needs to be checks and balances and the process must have a democratic basis where any proposed change has majority support from the proposer's peer group. In other words, leaders at any level need to have the tacit, if not always enthusiastic, support of those below them. The prime minister would be chosen after an election by a process which required approval by 90 per cent (say) of the whole House of Commons.
2. The prime minister would then select the cabinet and junior ministers from the whole house. This would be on a basis that avoided the present system of polarisation, where governments are pulled to the left or the right by extremist views. Rather, we'd have a more common-sense centrist government being held to account by views both from the left

and the right.

3. The House of Lords would be replaced by a House of Occupation. Members would be appointed by recognised organisations of different employment sectors, as well as the disabled, unemployed and retirement sectors. This would ensure bills are scrutinised by a chamber that has a wide breadth of experience in the real world, with at least some understanding as to how such measures might affect particular sections of the community.
4. The power of disappointment should exist at all levels. It should not be enough to gain and keep power until the next election. Again, checks and balances would be necessary, but the general population should have the means to deter those who seek and misuse power for personal glory. We need leaders who are there to serve and who we can acclaim on a continuous basis rather than grudgingly put up with.
5. Private assets would be defined as those assets which are owned by individuals and families for their own private use and benefit that generate no income whatsoever, and for which they bear the full cost of maintenance.
6. All assets used for the production of goods and services would be controlled and managed by the people employed in working

and maintaining those assets on an entity-by-entity basis. Ownership would be shared between those people and the government, where the government share would reflect any necessary external financial investment made by the government in excess of that provided by the employees of the particular entity. There would be no other shareholders.

7. The MBE will be subsumed into the real economy. The investment management community would be transitioned into managing government investment in the UK economy. The banks would act purely as intermediaries and in many aspects would revert to a mutual status. No interest would be paid on savings deposits, but the amount deposited would be inflation-proofed, so that it retained its real value.
8. The UK will withdraw from the global financial market save for management of the financial aspects of real international trade in goods and services and the maintenance of as neutral a balance of trade as possible. Hopefully this would be accomplished through a system similar to, or based upon, Keynes's Bancor proposal.
9. MPs will be required to represent their constituency views rather than the views of any political party. In order to stand for

election, they'd have to show competency in representation. Top-level football managers are required to undergo appropriate management training, so why not MPs? After all, they're tasked with a far more important job. Inevitably, they'd have personal views and associate more with those having similar views. However, these views would be secondary to the requirement of the good governance of the UK and in the best interests of their constituents and the country as a whole.

10. The government would become the sole provider of electoral finance on a fair, per-candidate basis. Provision of finance for electoral purposes by any other person would become a criminal offence. Any provision of finance for UK policy think tanks must come from fully disclosed UK sources.
11. The number of candidates allowed to stand in any constituency would be limited (to five, say) and would be pre-selected by a randomly selected constituency deliberation chamber that's properly staffed and moderated by experts in electoral law. Applicants from all walks of life would be encouraged to participate and be publicly funded to undertake the necessary competency training.

After reading a list like this, your first impulse might be to criticise, or even to dismiss it altogether, saying it wouldn't work for this or that reason. Please don't! I too can criticise it and think of ways why it wouldn't work. This is partly why I hesitated for so long before writing this book. I was held back by a fear of failure, or of completely wasting both your time and mine. However, I became convinced that I should write it in order to begin the debate. This list represents my ideas of what a better politico-economic system might look like. I've visualised all the elements I can think of that would be better for 90 per cent of us than what we have now.

My suggestion as a starting point for you is to ask yourself if you're really satisfied with the way things work now. If you are, fair enough. If not, ask yourself whether you believe things might actually be better if we could somehow magic the above thoughts into reality. It might help to think of an imaginary country in which this was a genuine working system. Would you look on in envy?

I accept that it's most unlikely that all eleven points will chime with your personal viewpoint. We're all different and, more to the point, think differently. However, if you're unsatisfied with what we've got now and are not sure about my ideas, what are *your* suggestions for a better way of doing it? The political left has been failing to change things for years and will, I believe, continue to do so. The political centre has no wish to support central planning or the idle poor – yes, there are freeloaders in all societies. However, that's no reason for them to support the idle rich. They do no work either! Yet they're the ones who control and impoverish our society in so many ways. We, the people, who do the work, not them, should be the ones deciding on what we want for our society. My suggestions are my ideas of a better way of doing things.

What are yours, please?

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Finding the Route

Starting the debate

Over the years there have been many ideas, proposals and suggestions put forward for making the world a better and fairer place in which to live. While many of these are, quite rightly, on a global scale, there is no recognised global government that we in the UK can join in order to help implement the objective. The UK's best option is to lead the way by demonstrating to the world what could be possible. As I've said, we can only manage what we can control. It's for this reason that I confine my comments in this chapter to what could actually be achieved in the UK.

The wider engagement of people in both thinking about and articulating what it is they actually want for our society will be a key ingredient to success. This is not, by the way, advocating an even greater participation in social media, which seems to me to be more about influencing what people *should* think, do and wear, rather than about what they would really like to achieve for themselves, their loved ones and the society they live in. Twitter, Facebook, Snapchat and the like are all fine for staying in touch with real friends and family, and for finding contacts with similar interests, which, of course, was the original purpose of social media. We've moved a long way from that ideal though and are now in the situation where thousands of so-called 'friends' (in fact mostly complete strangers) attempt to persuade you to give them your vote, or your money, by following their self-interested recommendations.

No, when it comes to increasing engagement, I'm much more persuaded by the use of so-called deliberation chambers in which randomly chosen people,

hailing from all walks of life, debate the important issues of the day. The case for these forums is well described in two books I've read: *Against Elections*⁴⁴ and *Rebooting Democracy*.⁴⁵ The books not only fully describe the principles involved but also cite differing examples of where they've been tried around the world. However, in too many instances, seemingly successful outcomes have been set aside by official governments in a bid to preserve their top-down control. Yet, these books cite instances where it has been proven time and again that, given the chance, these debating chambers can and do work. In 2018, a chamber in Ireland, the Citizens' Assembly, debated the legalisation of abortion in the country. In five sessions, over a period of several months, 99 citizens heard from 30 experts and reviewed 300 submissions from the public before making recommendations for a public referendum which led to the repeal and replacement of the law that had hitherto banned abortion. In other words, the people trusted their fellow citizens' overwhelming support for a change, which had been the subject of party-political shilly-shallying for years. Yes, ordinary people can make sensible decisions when given all the details and an opportunity to debate them.

Comments made by Peter Macfadyen in his book, *Flatpack Democracy 2.0*,⁴⁶ encourage me even more. He explains that the deliberation chamber approach was effectively the route which he and his fellow Independents for Frome took in order to engage the public in the town's governance. As previously noted, the public liked the approach. Why else would they re-elect all of the independent candidates with an overwhelming 79 per cent of the vote? The IFF candidates had all agreed to an open and collaborative way of working while eschewing allegiance to any political party. There is much food for thought in Peter's book, since he not only describes their successes, but is honest about the pitfalls of their novel and increasingly fruitful route to a citizen's democracy. An expansion of the Flatpack Democracy movement seems like a good starting point, not only in spreading sideways to other towns, but also to head upwards to counties and the national level. What could be a more bottom-up way of doing it? A good move in this direction might perhaps be for the public to demand funding for constituency deliberation chambers, so

we can properly begin to find out what we, the people, think about major policy issues. This process could readily be expanded to finding, training and selecting independent candidates for both local and national elections.

Another worthy change initiative is espoused by the UK Green New Deal organisation, which majors on climate change issues, but also seeks economic reform to promote a fairer and more democratic Britain. Extinction Rebellion is another organisation worth noting here, since it has similar aims, and interestingly supports the Citizens' Assembly concept. I'm less convinced that their more active style of protest will actually lead to a better and fairer Britain. It's all too easy for their actions to be dismissed as disruptive to the majority of hard-working citizens who are the very people that keep the rich and powerful in place. It could reasonably be argued that such single primary-factor campaign groups are too reliant on the same methods as those in power; demanding what they want. However, the MBE and their cohorts are both more experienced in and better funded to perform these dark arts. Also, the MBE's self-confident we-know-what-we-are-doing-and-what's-best-for-Britain approach appeals far more to the silent middle ground than any well-intentioned but disruptive demonstration. Success for organisations like Extinction Rebellion is likely to be limited to crumbs from the rich man's table.

It's quite likely the same, or at least a similar, outcome will befall most other single-focus action groups, whether they're campaigning for better mental healthcare, educational opportunities and immigration rights, or against poverty and discrimination of any sort. They're all saying what they want and, in effect, competing with each other for those rich men's crumbs. Real change will only come about if we can change the people sitting at the table. Don't forget, they're driven by greed for money and power. They not only constrain our politicians but have the tacit support of the politically inactive majority with comfortable lifestyles, probably the very same people who provide the crumbs via charitable donations. Those people actually believe in the goodness of the causes to which they donate, but are largely unaware of the shortcomings of our politico-economic system, as outlined in this book, which

are at the heart of the problems.

Right now, I have no suggestions for how the various action groups might combine in some way to tackle this roadblock to all of their aspirations, but I'm certain that collaboration would beat competition. Perhaps a good starting point would be a deliberation chamber, or citizens' assembly, to debate how to effect a change from plutocracy to democracy in the UK. Everyone's frustration could be aired and shared but, more importantly, input from experts on the economic and political options could help to focus attention on how collaborative action might achieve real change in our political landscape. More United, which I highlighted earlier, and Flatpack Democracy, could provide input from both ends of the political system. Similarly, there could be input from a range of economists with different perspectives on the correct use of money. This should include a debate about modern monetary theory (MMT) and how it might allow politicians to escape the grip of the MBE.

In summary, the way forward isn't absolutely clear. It will only be found by widespread debate and discussion between people from all walks of life and political persuasions. I believe I'm right when I say the majority of us are dissatisfied with our present politico-economic system. But no change can happen without having a clearer view of what might be done better. I've provided my own hazy outline of what I believe could be done better, as well as an explanation of how and why I've come to that conclusion. I hope some readers will agree with my views, at least to some extent, and that they'll follow up by doing all that's in their power to take this to the next logical stage. This will involve firstly furthering the debate to generate a clearer vision and then participating in the action needed to make it a reality. There can, of course, never be an ultimate Utopia: after all, as I've said all along, there'll always be a better way of doing it!

Finally, if you enjoyed the book and would like others to think about the issues raised, I'd appreciate you providing a short review giving your honest opinion about it. This will help others to find it and join the debate.

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Afterword

As I noted in the preface of this book, I've mentioned two important things that were entirely unknown to me before I put pen to paper or, more accurately, finger to keyboard. One is Modern Monetary Theory (MMT), which I only became aware of as I came close to finishing the first draft, and the other is the all-too-real Covid-19 Pandemic, which descended on the UK as I set out to draft the first chapter. Although both had an impact on the arguments being put forward in this book, namely that money is only a concept misused by the rich and powerful to control both our economy and our politics to the detriment of more than 90 per cent of our citizens, I decided not to change my central thread. This was because, in themselves, neither MMT nor the presence of the disease changed my basic thinking. I would, though, like to add a note discussing them here because they do impact on and, to a large extent support, my arguments, and therefore are worthy of further comment.

I'll begin with Modern Monetary Theory (MMT). Despite the fact that the underlying principle seems to have been acknowledged by Keynes in the 1930s and possibly even by Adam Smith in the 1700s, I had not heard of it until now. My lack of awareness of the theory is perhaps testament to the fact that I'm not an economist with my head regularly buried in academic journals. It could also be because MMT has been both downplayed and subjected to much criticism by both neoliberal and Keynesian economists. Nevertheless, interest in the fundamentals of MMT and the use of that acronym has been increasing since the 1990s and, indeed, the subject has increasingly become a hotbed of

economic debate over the past five years, questioning whether it could form a better basis for the management of a national economy with its own sovereign currency. What finally brought it to my attention was the publication of Stephanie Kelton's book *The Deficit Myth*⁴⁷. This is both a factual and thought-provoking work from an academic economist who has also been chief economist to the United States Senate Budget Committee.

The fundamental arguments of MMT are entirely consistent with my arguments in Chapter One that money is nothing more than a concept. No, I don't go back as far as Smith or even Keynes, so I'm not claiming I had an original thought. However, my conclusions were both independent of others and unshakeable in my mind, so it was a tremendous relief to find them so eloquently described in Professor Kelton's book. For balance, I should add that I've since read several articles critical of MMT, as well as others that support it. Yet none of these pieces dispute the fundamental fact on which MMT is based, that the government of a country that issues its own sovereign currency can print as much of it as it chooses, and it can therefore never run out of money. What this means is that the oft-quoted notion that a nation's economy is akin to that of any private household is false. The household concept was popularised in the 1980s by Margaret Thatcher, who, when describing the national economy, said: 'There is no alternative!' The oft repeated acronym TINA (There Is No Alternative) was born and has been the basis of economic management in the UK ever since. It does not add up though. A household can run out of money, so it has to balance its budget by cutting its expenditure and/or temporarily borrowing if it has spent more money than it has. Such private borrowings have to be repaid at a later date. Governments, though, can't run out of money.

In some ways TINA and MMT are akin to the competing theories of the origin of the universe. Only one of them can be right. What this means is that some, perhaps many, of us will have to let go of thoughts we hitherto believed to be correct. That's not an easy thing to do, even for the brightest among us. Fear not, though, you'd be in good company. Even Einstein, whose work told us so much about our universe, found it difficult to come to terms with the,

now accepted, big bang theory of its creation. I have little doubt that Mrs Thatcher wholeheartedly believed in TINA and that the vast majority of us have accepted it ever since and indeed probably before she made that statement. It's a hard concept to let go, particularly since it makes sense because we all live in households and have to make ends meet, or face the consequences. However, this doesn't alter the now self-evident fact that, as far as money is concerned, TINA is wrong and MMT is right. The economists who are critical of MMT do not dispute this fact – they actually say, 'Well we always knew that' – but argue against what the economists endorsing MMT propose that governments can and should do with this new way of thinking. This brings me back to my belief that economics is a matter of opinion and all of us should be involved in the debate and ongoing decisions on a democratic basis.

Perhaps unsurprisingly, the views of economists follow the usual political divides. The pro MMT on the progressive left advocate funding a Green New Deal, whilst those on the right argue that would lead to high inflation and financial catastrophe. My view, as I have said throughout this book, is that the financial outcome will depend on the quality of management. You can successfully lean either way, providing you do it responsibly.

To me, the real question that MMT helps to frame is: whose money should we use? If the government, in representing we, the people, can print as much money as it likes, why do we need to use the money from the MBE for investment in our real economy? The short answer is that there's no good reason whatsoever. The only possible explanation is that they want their hefty investment return in order to increase the value of the MBE at the expense of the rest of us in the real economy. Surely it would be far better to print our own and keep all of the benefits of the exercise to ourselves? After all, it's the work that adds the value, not the money, which as I have outlined is merely the facilitator.

It's not surprising that neoliberal economists are the strongest critics of MMT, since they represent the bedrock of the MBE. The first critique I read came from the Cato Institute, a far-right think tank. A quick search produced

a dozen more damning arguments from the same source. Similarly, it's not surprising that Green New Dealers are supporting MMT. It's an obvious route towards meeting their political demands. Even so, I've been wondering why Keynesian economists like Paul Krugman should be such strong critics of MMT. Yes, it seems they have some credible technical economic arguments about which levers to pull in order to control inflation and so on, but again that's a matter of management not principle. It doesn't alter the growing realisation that the government is *not* obliged to control the deficit as TINA claimed and that it can spend as much money as it chooses on our behalf. Surely MMT cannot be ignored any more than quantum mechanics could be ignored when it emerged as a better explanation for the behaviour of matter at the atomic level than classical mechanics could provide. It didn't mean that classical mechanics and its uses were henceforth discarded, but it did change forever the way of looking at matter. The same must be true for MMT in terms of the way we look at the financial aspects of our economy.

We don't need to rely on the MBE to finance future investment in our real economy and, therefore, we don't need to keep paying them dividends for the privilege of doing so. Whilst Keynes was obviously an outstanding brain, he was also a keen investor. Thus, while he rightly identified the moral evils of rentier capitalism, he did not extend that thinking to seeking a financial return from investment in the productive side of the economy. But they're just two sides of the same coin – the desire and belief in the right to seek personal benefit from other people's work just because you have more money than you need. This is understandable on the basis that, like TINA, it has been accepted without question for so long. Even so, that makes neither proposition right. It is up to we, the people, to get our government to make the necessary corrections. We have to find a way to become a real democracy as the essential precursor to controlling our real economy.

There are two important corollaries here. The first is that the right to print money cannot and should not be delegated and the second is that TINA is right when it comes to international transactions. The failure of our governments to observe the first was the root cause of the 2008 financial crash

in the UK. Commercial banks had increasingly stopped being mere intermediaries that facilitated the use of money for its real purpose, namely to make the barter system work, so that people could be fairly paid for their work in a way that they could easily exchange for goods and services of their choice. This was once an excellent service for which the banks received small fees. This evolved into a situation where the banks assumed, with government complicity, the role of currency issuer, by effectively printing money. They loaned more and more money, which physically they didn't have, in exchange for much larger fees, even though they, unlike the government, were governed by the household rule called TINA. Although they had to be able to pay back all the money that we, the people, had deposited with them, they could only do this if their chums, who'd not only borrowed all our money, but also the vast sums they'd created out of thin air, could pay back their enormous loans first. As we all know, there's no such thing as a free lunch, even though, stupidly, the banks and their chums in the MBE firmly believed they had found not just one but daily free lunches for years to come thanks to their sophisticated derivatives. They'd no idea who was providing the ingredients, or who the chefs were, but the food tasted good and they couldn't get enough of it. It was, of course, a giant Ponzi scheme in which everyone in the MBE took their cut. That is, right up until realisation dawned. The bank loans could not be repaid, so our deposits could not be repaid and, in consequence, the whole banking system would collapse. What happened then? Our government, on behalf of we, the people, stepped in and used their legitimate MMT role to print money to bail out the banks, so that ordinary citizens could sleep easy in the knowledge that their relatively meagre savings were safe. Perhaps it's little wonder that MMTers believe that if the government can print all of that money to bail out the rich in the MBE, they should also be able to print money to improve the well-being of the rest of us. The clear lesson is that the government should limit the role of banks to being intermediaries and should become the sole issuer of new money. Furthermore, it should only do so on a responsible basis, after first taking the time to clearly understand why and for what it is printing it, in marked contrast to what the banks did.

Let's turn to my second proposition that TINA does apply for international transactions. While this may seem obvious, it is a strange bedfellow in a global financial market where trades of any sort are permitted. Critics of MMT rightly point out that irresponsible printing of money could lead to an international devaluation of a particular currency. If we continue to import stuff and pay with our printed money, it will only hold its value if we can export stuff of equivalent real value. This is therefore a management issue rather than a currency one, which a government in full control of a sovereign nation should be able to navigate. Governments are, however, severely limited in being able to do so whilst fully subscribing to the supposed freedoms of the global financial market which is not under the control of any government. Instead, the global financial market is more and more the vehicle of the international rich and global corporations that play one nation off against another in order to minimise taxation and increase their wealth not ours. While governments accept it, they are in effect legitimising a kind of global mafia that uses money, not guns, as its weapon of choice. Sadly, it's we, the people, who pay the hush money.

In order to meet the TINA test, the government has to find a way to control the balance of our real trade with the rest of the world. Ideally, this would be by agreement with all other national governments. Failing this scenario, which seems most unlikely, a unilateral way to do so needs to be found. As per my earlier suggestion, I believe that, if necessary, there should be legislation in order to ensure that all businesses operating in the UK are obliged to cooperate in meeting the TINA test. There are many more levers available to government than monetary control and, if they are insufficient, they have the ability to create others, subject to our democratic approval. We don't use money to manage businesses. We run successful businesses by managing the resources at our disposal. The government needs to do the same for our country. I can't say it often enough – money is just a concept that should help us organise ourselves in a way that's fair and reasonable to all of us. Letting the MBE use it to both organise the government and all of us to meet their greed for unearned riches and power is against plain old common sense,

let alone democracy.

We have a direction of travel, but are a long way from a better way forward being realised. While it's clear that MMT has a tough row to hoe, it's going in the right direction, so perhaps we should all grab the handle!

And so to the Covid-19 pandemic. How many times have we heard phrases like 'things will never be the same' and 'the new normal' since the coronavirus reached Britain, in February 2020? It's true it has affected everyone to a greater or lesser extent. Sadly, it has killed a very large number of people and affected the health of a great many others. As yet though, it's only the minority of us who have been directly impacted. The rest of us have been affected by the fear of it, and by the actions that the government has taken to limit the spread of the virus until a way of truly combatting it can be found. In doing so, they haven't only worked towards preserving sufficient access to medical care for those afflicted by the virus but also introduced regulations that have affected our real economy and our individual freedoms. These actions, which have naturally dominated the media, have changed the way that we behave and perhaps think.

Today, the world seems to be a very different place. It's certainly different when the government offers to pay some people's wages, or part thereof, in order for them to stay at home! At least it's a sign they know about MMT, even though they haven't ruled out us having to pay it back. For the time being though, health and life itself have become more important than money. Worrying about money, or rather its concept, has been set aside in favour of the reality of life, without which there's neither health nor happiness. There has, of course, been a negative financial impact on many individuals, businesses and institutions, but it's not life-threatening. Even though we're nowhere near out of the woods with the pandemic, there's much concern about the economic consequences of all this. The question being asked is, 'How will society recover?' I believe we're asking the wrong one. What we should be asking is, 'How do we want society to recover?'

Surely this is a time, if there ever was one, for us to reflect on how we, the people, want our society in the UK to develop as we overcome this worldwide

catastrophe? What lessons can we learn from the episode and do we want to go back to the way life was before it? Many elements of our economy are broken, but do we want to put them back together as they were before, driven by competition and the desire for wealth? Alternatively, would it not be better to reassemble them in a more cooperative way, with a focus on fairness and happiness? It is with this in mind that I'd like to add my observations on the pandemic that might inform such a debate and reflect on how these observations relate to the ideas presented in this book.

The first thing to note is that the nation came together in response to the government's lead in its determination to contain the spread of the virus. The response wasn't left or right. It was based on, 'How can I help?' A greater appreciation of the caring side of our community was shown. This was epitomised by the Thursday night Clap for the NHS or Clap for our Carers, which was originated, not by the government, but by a Dutch expatriate, Annemarie Plas. Neighbours spoke to one another and toasted the NHS across driveways and roads. One of my nieces told me that previously it had been normal for people in her neighbourhood to pass people on the footpath on the same side of the road without speaking. Now though, they were crossing over to the other side of the road but exchanging greetings of well-being and fellow feeling. Millions volunteered to help the NHS and to ensure essential supplies got to the most vulnerable. Whoever clapped for the MBE? Well, beyond the City.

Sadly, as I write this during the second wave, there's no longer the same level of community support for the government. While I feel sure that strong support remains for the carers, there's as much criticism as praise for the government and it's not entirely along party lines. This is, I believe, due to the classical shortcomings of top-down management. At the beginning, we needed leadership, which is what the government can and should provide. However, the elected authorities know next to nothing about pandemics and how to manage them. When your toilet's leaking you need a plumber not a politician! Furthermore, the plumber needs the homeowner, the person close to the problem, to tell him or her where the stopcock is. To keep the public onside, it

needs to know that those managing and, more importantly, dealing with the problem know what they're doing. This means nationally and locally. These people (scientists and public health specialists) exist, but they lack clear, delegated authority to get on with the job and do their best for all of us. What I'd also like to know is what would've happened if this'd been the case and if the resources that they'd expect to be in place had actually existed. Where would we be now if all the lessons learned from previous pandemics had actually been accepted and acted on? The emergence of Covid-19 was not a complete surprise to public health specialists, even if the severity may have been.

There's no need for daily tinkering and announcements in the House of Commons or from Downing Street. If the fire's in Leicester, let the people in Leicester put it out. By all means consult with them and certainly provide them with all the assistance they ask for, but don't make them a victim of Head Office. If there's to be an element of competition, let it be the one where each locality competes to get the lowest infection rates for their area, whilst at the same time sharing its local knowledge with all others in order to get the best possible national result.

The economy has been affected in many different ways by the pandemic. Despite what the numbers say, the real economy has not gone away. All the components are still there. Namely, the assets that can be used to produce goods and services and the people with the skills and abilities to use them. What has changed is if and how we want to use them. The historical priority of maximising financial returns has been exchanged for minimising the spread and, above all, the deaths due to Covid-19. As a first step, the economy was divided between the essential and the non-essential, with the latter being put on hold in order to restrict the spread of the virus. Everything was done to meet the basic needs of food and warmth for everyone. Apart from a few early shortages, this was remarkably successful. For the most part, this was managed by the people who knew what they were doing. The supermarket chains and the corner shops were allowed to get on with it without government interference. This was supplemented by armies of local volunteers who made

sure that no one was without essential supplies.

The government has stepped in and used its MMT powers to support non-essential businesses and employees put on hold by printing over £200 billion in the first six months. Whilst this has helped to avoid financial disaster for many privately owned businesses and their employees, much of the funding has also gone to companies owned by the MBE which, if stock market indices are to be believed, is not facing financial disaster. Indeed, according to the Sunday Times Rich List, the personal wealth of Britain's top 45 billionaires increased by £25 billion over the same six-month period. Proof, if any were needed, that we have two very distinct economies. The MBE looked after its own, dumping shares in badly hit sectors like airlines and cruise businesses, while also seeking to access as much government funding as it could. Sadly, because each of the government schemes had to, understandably, have criteria for access, they did not fit everyone's circumstances. As a result, there are many citizens who have been left high and dry, with many of them losing fledgling new businesses – our future economic seed corn.

I couldn't help wondering whether life would have been both simpler and fairer if we had the much-vaunted system of Universal Basic Income (UBI) in place. This is where, on an ongoing basis, the government provides a basic income to every one of its citizens to cover the essential costs of living irrespective of their personal circumstances and whether or not they have income from paid employment. This concept dates back to Thomas Paine, one of the founding fathers of the United States, who put the idea forward in 1797. It has been repeatedly proposed since that time, with the current leading advocate in the UK being Professor Guy Standing, who has written extensively about it.⁴⁸

Interestingly, proponents come from both the left and the right of the political spectrum and even include Friedrich Hayek, the architect of neoliberalism, who advocated a guaranteed minimum income in his 1944 book, *The Road to Serfdom*.⁴⁹ I'm not the only one to suggest this in the wake of the pandemic. The existence of such a system would have obviated many of the knee-jerk reactions that have taken place to protect the vulnerable.

Although the primary argument for UBI is not that it should be a safety net in case of a pandemic, this would've been a tremendous side benefit. It's certainly food for thought for the debate about what sort of economy we want in the future. A European study during the pandemic showed a greater than 70 per cent support for such a system.⁵⁰ Of course, one of the arguments against UBI is that it removes the incentive for people to work. This was not borne out in the latest trial carried out in Finland in 2017–18.⁵¹ The pandemic itself has produced further evidence that people want more than the basics and they certainly don't want to be confined to subsistence living at home.

What are the options for the economy when the virus is finally under control? Can we, the people, take more control? Can we persuade our government to invest in us by using MMT to help us acquire those languishing assets that are no longer making a profit for the MBE? Could this be a starting point for the transfer of assets into the real economy, away from the grip of the MBE? Do we actually want the economy to go back to being based on the consumer society, whereby we're encouraged at every turn to buy stuff that we don't actually need and which is adding to global warming? There's no doubt there will be much resistance to change from the powerful elite in the MBE and among the politicians who support it. It does, however, seem the perfect time to insist we build an economy based on creating a happier, less stressful world that can actually stop damaging our ecology, and where caring and creating are equally well rewarded. There's no doubt that the Covid-19 pandemic has been awful, but it has the potential to kick-start a better way of doing it.

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14 Small Street, Bristol, BS1 1DE, United Kingdom
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ISBN 978-1-80042-114-1 (paperback)
ISBN 978-1-80042-115-8 (ebook)