

Chapter 3. Bottom-up versus Top-down

By Clyde J. Cleveland

In 1981, I founded a company called United Investment Groups, Inc. (UIG). Eventually, UIG employed 40 people and raised over \$24 million, \$22 million of which came into our Iowa office and funded several early-stage companies headquartered in Iowa.

The people who worked for UIG were devoted to a cause much bigger than a run-of-the-mill business enterprise. As UIG's mission statement avowed, our purpose was to fund companies that were creating solutions to all of our social and environmental problems. When people came to work at UIG, they felt they were coming to help save the planet.

In our quest to make our world a better place to live, we did some remarkable things and funded some great companies. Many of those companies are still in business today. Some have faded, but their highly educated employees remained in Iowa, some starting their own businesses and hiring their own employees. Given how the ripple effect of every new job creates even more jobs in the community, UIG resulted in thousands of new jobs in Iowa.

“When the power of love overcomes the
love of power, the world will know peace.”

—*Jimi Hendrix, 1942-1970,*
American musician, singer, songwriter

UIG also had an impact on the state's environment. Soil Technologies, a biotech company in Jefferson County, Iowa, makes a cover crop that uses algae to fix nitrogen and replenish the soil. Research funds from UIG helped Soil Technologies lengthen the shelf-life of this product from 24 hours to 48 days. This cover crop which is sold to farmers all over the world, has enormous ecological implications. Farmers reported a 95 percent reduction in chemical costs when using the product, as well as increased yields and improved quality.

Soil Technologies' cover crop is also used by 30 percent of the golf courses in this country, greatly reducing the amount of chemical fertilizers used on the fairways. This reduces pollution of nearby streams and rivers.

Over the years, UIG set up limited partnerships to fund several other environmental companies:

- United Wind Industries received \$600,000. This partnership purchased windmills for a wind generation farm in Palm Desert, California.
- United Fibertech Ltd. was funded with \$2.8 million, which was awarded to Tetratex Industries of Austin, Texas, for research and development. Tetratex had the technology to take any fibrous agricultural waste product, such as wheat straw, and create building materials for homes or offices. The end product was amazingly strong, pest resistant and fireproof. The ecological implications were enormous. Because the waste product the company was using would normally have been burned, increasing air pollution, the process had an immediate impact on air quality. Many buildings were built around the country using

Tetra board, including the office buildings my partner and I built in Fairfield, Iowa, in 1983. The company that bought the technology is now seeking funds to restart operations.

- Magnetics Research International (MRI) received approximately \$3 million in venture capital from us. The company had a highly innovative technology to make electric motors more ecologically sound and energy efficient by using principles of magnetism. MRI was in operation for 10 years before selling its technology to a larger company.
- UIG raised \$3.5 million for three additional companies as well—Global Integration Technologies, Inc.; Oasys, Inc.; and Minitech, Inc.—all of which provided research and development services for electronic innovations designed to increase productivity.

As a result of UIG's accomplishments, in 1986 I was invited to an international conference on socially conscious investing, hosted by Conscious Investors, Ltd., an international investors organization. At that event, I was named "America's First Socially Conscious Venture Capitalist."

I am quite proud of that award and of what we accomplished at UIG. I will never forget the people who worked with me there. Unfortunately, that work ended when the tax laws changed in 1986. The act eliminated research and development tax credits, along with many favorable rules for passing tax benefits through to limited partners, destroying many companies that depended on tax benefits to raise money for enterprises. UIG had invested substantially in a large offering that had taken more than a year to get approved by the

Securities and Exchange Commission. About three days after it was approved, the tax law changes were announced, effectively eliminating the offering. UIG simply could not recover.

Yes, the so-called federal Tax Simplification Act of 1986 put us out of business. Not to mention the fact that the act did not simplify the tax code; it actually made the code significantly more complex and indecipherable. (You can bet that the impact of a bill will always be just the opposite of what the name implies!)

**The Cleveland for Governor campaign
is about changing the world.**

I learned from my UIG experience that if you are going to do something, do something very big and do something very good at the same time. In other words, have your goal be to change the world! Working for anything less than that just isn't any fun. It doesn't get your juices flowing to do it any other way.

The goals of the Cleveland for Governor campaign are all about changing the world. We want Iowa to lead the nation to a better way of living. We believe that the solutions to all of our problems are available right now. But the systems of organization in this country hold us back from restoring both our individual freedom and our environment.

Our Founders had a vision of a country totally in tune with natural laws. They had studied Cicero and Locke and Montesquieu, all of whom spoke about natural law in great depth. The Founders were also great students of the Bible. To

them, God's law and natural law were the same thing; natural law was God's will expressed. In the Declaration of Independence, the Founders termed it the "laws of nature and of nature's God."

I have found that discussing the fundamental principles drawn on by the Founders dissolves misconceptions about the past and provides a framework for understanding how we can transform our present-day society. Examples of how these principles work can be found at various points in history.

"I know of no safe depository of the ultimate powers of society but the people themselves, and if we think them not enlightened enough to exercise control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion."

—Thomas Jefferson

Consider the story behind Visa International, for instance. Dee Hock founded the company in 1968 with nothing but a list of principles which he had gleaned from a lifetime of observing nature. Were those principles successful? Within a few years, Hock's company was the largest commercial enterprise on the planet, with \$1.25 trillion in annual revenues!

The amazing thing about Visa was that nobody could find the center of the company. As one observer said, "The center was like a noncoercive enabling organization that existed only for the purpose of assisting owner members to fulfill their activities with greater capacity, more effectively, and at less cost."

Hock described his company as a “chaordic organization,” embracing both the chaos of competition and the order of cooperation. In his book, *The Birth of the Chaordic Age*, he lists the principles behind a chaordic organization as follows:

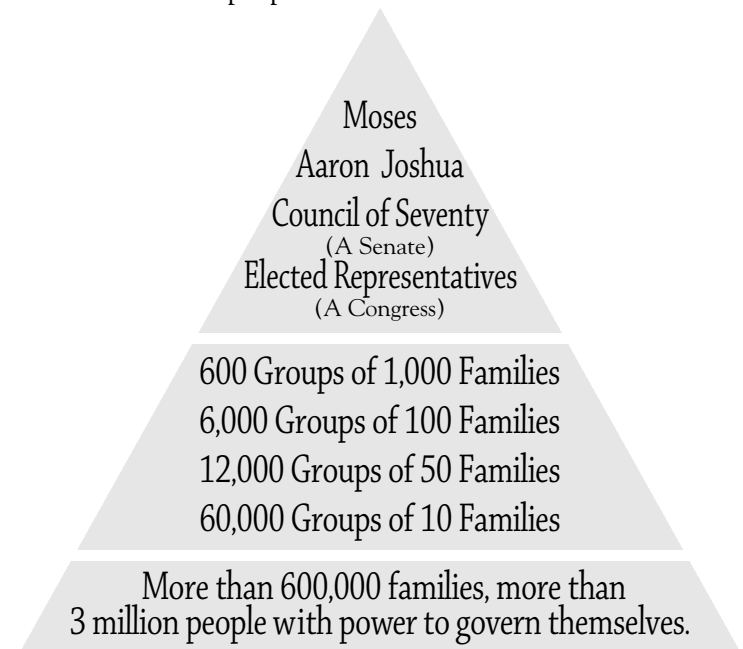
- It should be equitably owned by all participants.
- It must not attempt to impose uniformity.
- It should be open to all qualified participants.
- Power, function, and resources should be distributed to the maximum degree.
- Authority should be equitable and distributive within each governing entity.
- No interest should be able to dominate deliberations or control decisions, particularly management.
- To the maximum degree possible, everything should be voluntary.
- It should be nonassessable.
- It should introduce, not compel, change.
- It should be infinitely malleable yet extremely durable.

This list of Hock’s is a very good list of libertarian principles. What’s more, the observer’s description of the company’s center serving as an “enabling organization” is an accurate description of a libertarian perspective of government.

In addition to Hock’s story, there are far earlier examples of the success in following the principles of natural law. Both the Anglo-Saxons and the early Israeli’s people under Moses were bottom-up societies. The Anglo-Saxons were the dominant

people in England, until the 11th century and included descendants of the Scythians, or Goths, who originally migrated from the region of the Black Sea. Some scholars believe that the Goths were remnants of one of the “lost” tribes of Israel and that the code of laws that they handed down from generation to generation was based on the same commandments that Moses received on Mount Sinai.

The governing principles followed by both the Anglo-Saxons and the Children of Israel—such as equal representation, inalienable rights of the individual, and local resolution of problems to the maximum extent possible—were almost identical to Hock’s principles. As with his chaordic organization, the bottom-up model worked well for the early Israelis and Anglo-Saxons, and led to greater peace, prosperity, and freedom for their people.



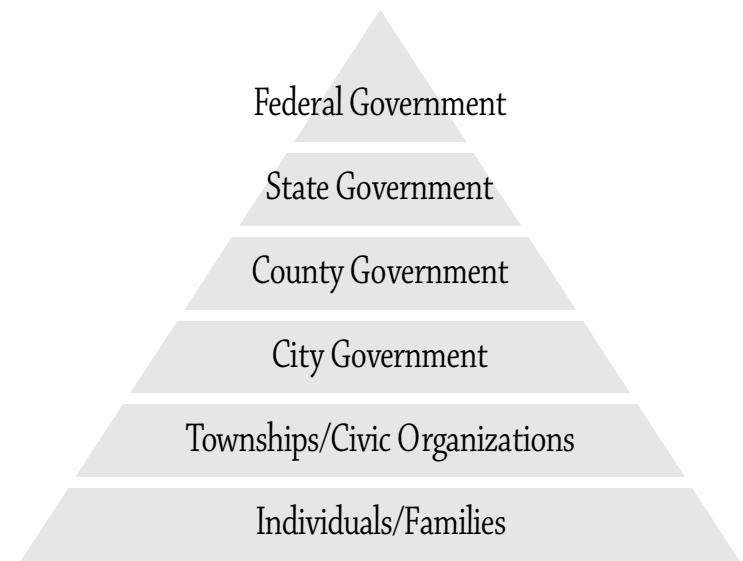
Pyramid 1. Ancient Israeli Model of Government

We talk about those examples because three of our most knowledgeable Founders—John Adams, Thomas Jefferson, and Benjamin Franklin—all believed these civilizations were the most worthy of copying. In fact, they proposed that the first national seal for the United States of America reflect these two civilizations.



The Founders' vision of a bottom-up republic was thriving by the time French historian Alexis de Tocqueville came to America in the 1830s. He was astonished that “government was invisible.” What he saw instead was a country in which local problems were solved by individuals, families, and a plethora of community and civic organizations.

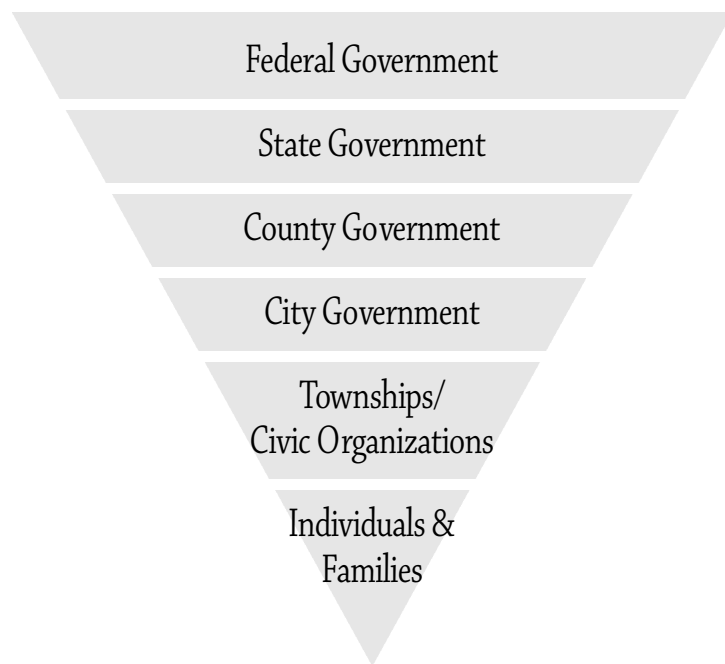
By 1905, the United States was one of the richest industrial nations on the planet. With 5 percent of the world's land and 6 percent of its population, the country was producing almost half of everything produced in the world, including clothes, food, houses, transportation, communications, and luxuries. Most importantly, people were coming to the United States from all over the world to enjoy unprecedented freedom.



Pyramid 2: The Bottom-up Model of Government

Then things began to change, and the country started moving toward a top-down model of governing. It was so gradual that no one realized it was happening. In 1913, those who wanted to turn the power pyramid upside-down made significant gains. That year, the first income tax was passed and the Federal Reserve was created, essentially ceding the constitutional authority of Congress to create money to private individuals. Since 1913, the top-down government model has become predominant. Now most of the power is with the federal government instead of with the individual and the family.

Note: The Anglo Saxon principles on page 26, the Israeli model of government on page 27, and the original proposed seal on page 28, were provided by Cleon Skousen from his book *The Five Thousand Year Leap*.



Pyramid 3. The Top-down Model of Government

As a result of this shift to top-down, command-and-control, force-based government, Americans have less freedom every day. There is never a time when power relinquishes itself; it just grows and grows until the people wake up and realize what has happened to them. We are confident that Americans want their freedom back and want this process reversed. We believe it is time to flip that pyramid back to its proper configuration (Pyramid 2), with the power once again held by the individual and the family. It is the solution to all of our problems. Drug abuse, crime, poverty, welfare,

inadequate health care, underfunded retirement, and all of the other social problems we face are always more effectively dealt with on the local level

We are not right wing, nor are we left wing. We are UP wing.

Once people understand the details of the fundamental principles we want to restore in Iowa, the standard debates of the Republicans and Democrats—and all of the contentious arguments over issues—just melt away. These are natural laws and universal principles that have worked for thousands of years. In our hearts, the citizens of Iowa and of the nation still believe in a bottom-up society. We have simply allowed our institutions to grow too powerful.

To me, this campaign is a spiritual quest. I hope every person in Iowa will make it a spiritual quest as well. We are in the midst of a worldwide battle—on and below the surface—between forces that believe in top-down, command-and-control management of society and those who believe in the principles of bottom-up management, freedom, and individual sovereignty.

“Government is not reason. It is not eloquence. It is force, like fire: a dangerous servant and a terrible master.”

—George Washington

The defining quality of top-down management will always be force. And when a society is dominated by force, fear is the emotion that predominates. The bottom-up model is based on individual sovereignty, with the fundamental governing unit being the family. What quality holds families together? Love.

Therefore, the essential unifying principle of the bottom-up system—and the predominate emotion—is love. Love on one side, fear on the other.

The Top 10 Characteristics of Bottom-up vs. Top-down Societies

Bottom-up	Top-down
Love	Fear
Freedom	Control
Noncoercion	Force
Local control	Centralized planning
Abundant creativity	Stifled creativity
Optimism	Despair
Strong families	Breakdown of families
Personal responsibility	Dependence
Universal opportunity	Concentrated power
Prosperity	Poverty

When I speak to high school kids, I tell them our campaign is about bringing love and light to the political process. I explain that we are not right wing or left wing. We are *up* wing. We are for returning to a bottom-up model of governance in this

country. And that model is based on love and freedom—we want to *uplift* people not control them. Our children understand this message. They know intuitively that there is something rotten about our current government and our institutions. They are responding to our message with great enthusiasm and energy.

The only way we can defeat those who would attempt to control us—the elitists who believe they know how we should live, and all those powerful special interests who have consolidated their control over the political process—is by bringing in love. It is the most powerful force on earth. We do this by returning to a bottom-up model of governance. It is within our power to do that, and we must do it for the sake of our children and our grandchildren.

Jimi Hendrix said, “When the power of love overcomes the love of power, the world will know peace.” I would add, when the power of love exceeds the love of power, we will have peace, prosperity, and freedom—and the most effective solutions to all of our environmental and social problems will occur spontaneously, and naturally, from the bottom up.

“America is a bottom-up society, where new trends and ideas begin in cities and local communities...My colleagues and I have studied this great country by reading its newspapers. We have discovered that trends are generated from the bottom up.”

—John Naisbitt, *Megatrends, based on a 12-year study of 2 million local events*