

# **Cuba, a New Beginning**

*March from Santa Fé to  
Nueva Paz*



**Solidarism, *the Just  
Third Way***

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The 'Arcadia'-hallmark (left). Any publication or work of art bearing this hallmark is a contribution to the blueprint for a new civilization based on abundance, justice and peace, three interdependent concepts. You are invited to join in the work. Help us draw this blueprint.

The underlined ' Y ' is a stylized representation of a cup. Whenever this cup has been filled with the 'fire of *solidarism*', the resulting creative product will be like a line added to this blueprint. Thus this fire is the real 'entry-key' to Arcadia. The equilateral triangle stands for the synthesis resulting from two opposing forces. In Arcadia the right synthesis between communism vs. capitalism, globalism vs. anti-globalism, and conservationism vs. industrialism has been worked out in theory and practice.

## Acknowledgements

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*Michiel Bijkerk*

# Contents

	Page
Introduction to an Unusual Book	1
I. Two Introductory Articles before our Journey to Cuba.	
<i>Unleashing Synergy</i>	8
<i>New Democratic Balance</i>	11
II. Articles Written in Cuba while Trying to Execute the First plan	
<i>The 1,000 mile Journey ...</i>	14
<i>Che Guevara, a Stranger in Cuba</i>	15
<i>Let's See What Happens</i>	17
<i>Cuba is a Prison</i>	18
III. March from <i>Santa Fe</i> to <i>Nueva Paz</i>	
<i>Fifty Reflections on Cuba's Revolution</i>	20
<i>Lift the Blockade</i>	22
<i>The Cuban Opposition</i>	24
<i>Pilgrim's Progress</i>	26
<i>A Broken Leg</i>	28
<i>The Leprosy of Useless Businesses</i>	30
<i>The Leprosy of Useless Businesses (2)</i>	32
<i>E.S.O.P is not Electronic Soap</i>	34
<i>Niña Bonita</i>	36
<i>What's Missing?</i>	38
<i>It's Lonely at the Top</i>	40
<i>Cuba will always have a Baraguá</i>	42
<i>Cuban Bank of Natural Resources</i>	44
<i>The Incredible Story of the Man, the Donkey and the Truck (1)</i>	46

<i>The Incredible Story of the Man, the Donkey and the Truck (2)</i>	48
<i>The Incredible Story of the Man, the Donkey and the Truck (3)</i>	51
<i>Own or be Owned</i>	53
<i>A Parallel System</i>	55
 <i>The Incredible Story of the Man, the Donkey and the Truck (4)</i>	 58
<i>Something of Interest</i>	61
<i>The Alchemical Secret of Making Gold</i>	64
<i>Dale un Cañonaso!</i>	67
<i>The Engine of Solidarism</i>	69
<i>A Safe Money-Making Machine</i>	72
<i>All men are created equal</i>	76
<i>Turning Morbidity into a Homerun</i>	79
<i>A Mortal Fear</i>	82
<i>Cuba Leading the World</i>	84
<i>To Speak Proper Spanish</i>	87
<i>Love, Agape and Solidarity</i>	89
<i>Tiñosas</i>	92
<i>The Art of Choosing the Wrong Book-title</i>	96
<i>San Nicolas</i>	101
<i>Technology, Friend or Foe?</i>	105
<i>Cuba will always have an ‘Averigua’</i>	108
<i>Justice or Santa Claus?</i>	111
<i>Caimito, muy Bonito</i>	114
<i>CSOP is like Soursop</i>	117
<i>Giving Doctors and Nurses a Better Deal</i>	121
<i>Do the Workers also Share in the Risk?</i>	125
<i>Between Rice and Cane</i>	129
<i>Seguiremos Raspando</i>	132
<i>How to CIC-start a Community</i>	134
<i>Beware of the Boomerangs</i>	138
<i>Solidarism and the European Union</i>	142
<i>Cuba in the Caribbean Region</i>	146

<i>In Defense of Human Dignity</i>	151
<i>Just One More Revolution</i>	155
 Annex 1:	 161
Text of Petition to Obtain a License to Publish the Caribbean Magazine ‘ARCO’ in Cuba	
Annex 2:	164
Peaceful Transition to Economic and Political Democracy in Cuba	
Annex 3:	172
A new Look at Prices and Money	
<i>The Kelsonian Binary Model for Achieving Rapid Growth without Inflation</i>	

## Introduction to an Unusual Book

Collectively, the Cubans own the whole of Cuba; individually, they own nothing. That statement is true enough. Of course, its wide sweeping range makes it imprecise. Some Cubans do own one house and/or one car. But these possessions would not be freely transferable. So, even the little amount of property they do own is restricted. The only entity in Cuba that owns anything of real value, is the Cuban state. It owns nearly all businesses, most commercial and private real estate and most of the island's cattle. Oh yeah, I forgot to say: the Cubans own the air they breathe.

*So, we have a problem.* What to do about this situation? And, why do anything about it? Let the Cubans solve it. Well, yes. But, isn't this a problem that affects all? What happened in Cuba fifty years ago, also happened in Russia and China and is now happening in Venezuela. And, if not solved, will keep on happening. And if it doesn't happen also in Europe, Japan or the United States, it will at least affect them. So, we really do have a problem. It threatens planet Earth. It involves us all.

### ***There are three sides to a coin***

The Cubans, and socialists in general, are *saying* something. So are their capitalist counterparts. They are two sides of one coin. One side cannot exist without the other. In fact, they *need* each other to affirm their own truth against the other's truth. Meanwhile, both think they are on the *right* side of the coin and if only they could convince or (failing this) *eliminate* the other side, all societal problems would be solved. But, of course, neither side can ever convince or eliminate the other. The coin won't disappear. Both sides exist *because of* each other. And both have a point.

So, they keep on clamoring, not listening to each other; not listening to anything really, always preparing for war. The socialists basically shouting: 'Equality, equality!' Their capitalist counterparts: 'Freedom, freedom!' Both forgetting that a coin has in fact *three* sides. For there is the *rim*, without which there wouldn't even be a coin. Without which, in other words, there would not be any equality or freedom. This rim quietly says, '*solidarity*'.

*Solidarity* is a spiritual concept. It's another word for 'brotherhood', 'fraternity' or 'love'. In many countries the words: 'God be with us', or some similar expression, appear on the rims of coins. However, this is not a religious book. It does not urge all to be 'spiritual', implying that all would be well if only everyone belonged to, or believed in, one or another religion. No. Practicing a religion can harmonize people with their God and with humanity's 'over-soul'. That's important. *Crucial* even. However, it will not of and by itself solve the problem. To solve it we will have to *apply solidarity*. But then we have to know *how* to apply it, particularly in political and economic terms. This book spells that out with special focus on Cuba.

### *The arc of the arrow...*

How does a cow catch a hare? Well, we don't know. Certainly *not* by orthodox means. The cow will have to think up an *unexpected* method. Like walking from the village of *Santa Fe* to the town of *Nueva Paz* in Cuba.

This we (the author and friend) did to draw the Cuban government's attention to our petition for a license to publish *uncensored* the magazine *ARCO* in Cuba. The text of this petition is annexed (see page 167). We walked the 89 kilometers track in fifty days, each day reflecting on one year of the Cuban Revolution. Each day we wrote an article



analyzing both socialism and capitalism *as though there were freedom of speech in Cuba*. Into these reflections we wove a general overview of what we prefer to call *Solidarism*, generally referred to as the *Just Third Way*. The reflections were posted daily on our website at [www.arcoarib.com](http://www.arcoarib.com) and sent to approx. 300 people worldwide (including Cuban opposition groups), who forwarded them to their networks. *Et cetera*.

During our walk we wore a T-shirt expressing the message in a nutshell. The three Calvary crosses, with captions reading ‘capitalism’ and ‘socialism’ and beneath the central cross the word ‘solidarism’. Underneath the entire image the following line: ‘*Crucified between two thieves*’. All this in Spanish, of course.



This action was carried out by the author of this book, Dutch national Michiel Bijkerk, born in Aruba, an attorney-at-law by profession, residing in Bonaire, Netherlands Antilles, together with Cirilo Batista-Vasquez, a naturalized Dutch citizen of Dominican origin and construction worker by profession, residing in Bonaire as well, without whose assistance the action would not have been possible.



Initially we planned a different action and, at the end, we had to interrupt our walk a few times, but an arrow never follows a straight line to the target. Instead it follows an *arc*, whereas lateral torque gives it a snake-like, slinking quiver, making it go in a different direction than initially intended. All this does not matter as long as the arrow hits the target, which is to obtain the requested license to publish uncensored *ARCO* in Cuba. That will enable us to explain *Solidarism* to the Cuban people and government, thereby triggering a nation-wide discussion that will, without a doubt, culminate in the adoption by Cuba of this wonderful new system.



*The route indicated by the blue line from Santa Fe to Nueva Paz*

### ***Do or die***

It is not without reason that we organized this unusual march. The world is globalizing and is at war. And

preparing for new wars. Democratic countries have been infected with the virus known as 'fascism'. This has undermined democracy leaving it in grave danger. Totalitarian regimes, such as in Cuba, have never respected the free will of the people. So if we don't watch out and **take action**, 'we the people' stand to lose our freedom and protection rights against oppressive government. And this time the threat comes from both sides, i.e. the capitalist 'right' and the socialist 'left'.

The people will be crushed by endless wars and brutality, unless they find a new way to reconcile freedom with equality. And put some *humanity* back into society. To do this, people first have to know that there is such a new way (called *Solidarism*) and how it can - and will - lead to prosperity and peace. That's why we walked from *Santa Fe* to *Nueva Paz*. We *know* this new (third) way starts with Faith, secular or religious. And we *hope* the Cubans will adopt it and lead the world to New Peace, *Nueva Paz*.

### ***Legend ...***

There is a legend that says that during these troubled times of major global transformation the Caribbean will bestow an extra-ordinary and unexpected gift upon humanity. If this legend is true, it must be Cuba who will lead the way. Why? Because Cuba is uniquely positioned to do this *because of* its present socialist system. The United States could also do it, but it has *knowingly* rejected *Solidarism* for over fifty years. And the USA is leading the world into war, instead of peace.

Cuba, on the other hand, does not know that such a new (third) system exists. Cuban economists have never studied the writings of Louis Kelso and Mortimer Adler. Once they know, there is reason to believe that the strong sense of

*solidarity* the Cubans have developed will persuade them to introduce this new (third) way.

We can't be sure, of course. We'll have to wait and see. Maybe the USA will turn around after all. At Calvary one of the two thieves repented. The other only mocked. The question, therefore, is, which of the two, Capitalism or Socialism, will repent? Will it be Cuba or the USA? We believe it will be Cuba.

### ***A crucial cross-roads***

It is do or die. Literally. If we don't act now and move forward, wars and ecological threats will devastate all. Capitalism will choke itself, financially and ecologically. We see this now (2009), a global financial crisis as never seen before. But socialism is not the answer. It did not work in Russia and China and does not work in Cuba. Instead of pulling up the poor, it pulls down the rich, ending up with fair distribution of poverty. *Everybody* poor.

Are we scare-mongering? Ask the Iraqis, the Afghans, the Pakistani. And who is next? Ask Hugo Chavez. Ask Bin Laden. Ask George Bush. Ask all the repressive governments in Africa and Asia. Ask China. Putin. Kim Yong-il. Mikheil Saakashvili. Do we need to go on? The duality deadlock, capitalism versus socialism, has to be broken. Replacing these outdated systems by a third and better system is the only way this can be done. This book intends to insert a strong crowbar into Cuban society to lift it up to a higher third level. This third level we call *Solidarism*.

### ***Structure of this book***

The book opens with

I) two introductory articles written *before* we left for Cuba, followed by

II) a few articles written in Cuba while we tried to execute our first action plan and

III) the fifty reflections written daily during our *March from Santa Fe to Nueva Paz*.

These articles have been edited and corrected where necessary, but their contents basically have not been altered. The attentive reader will notice that there are only 48, not 50 reflections in part III. We cannot explain this discrepancy. We have not been able to reconstruct its cause. As far as we know, we walked for fifty days, writing an article each day. The missing articles are, well, simply *missing*.

### *Too much repetition ...*

Each ‘chapter’ of this book was written as a daily diary posting that addressed issues and thoughts that came up as a result of the daily march, so there is some repetition. This is not meant to be overbearing for the reader but, hopefully, will reiterate the importance and necessity for Cuba to rethink its upcoming geopolitical role in the new global paradigm.

*December 2009*

## I. Two Introductory Articles before our Journey to Cuba.

### *Unleashing Synergy*

To avoid global war and disaster, we need new democratic thinking. Ordered society needs leadership and authority, so anarchy is not an option. But we don't want 'oligarchy' (a tiny ruling elite) either. Although oligarchy provides leadership, it invariably leads to tyranny. What we need is a ***new democratic balance***, a synergetic system effectively balancing authority with participation, leadership with co-operation, spirituality with materiality.

But first, what is 'oligarchy'? Oligarchy is what we see within the present capitalist system, whether democratically organized (as in the USA and Europe), or organized along totalitarian lines (as in China). In either case economic and political power is concentrated in a small group of people (the 'oligarchs'), with the balance of society being ***totally dependent for their livelihood*** on those oligarchs. In passing it may be noted that with just one letter transposition the word spells 'oil-garchs'. Isn't that a coincidence?

### *A serf by any other name would groan as much*

Oligarchy is also what we see within the socialist system. Because the socialist state monopolizes literally *all* the means of production, the bureaucratic elite of the Socialist Party controls both political ***and*** economic power. Here, too, citizens are ***totally dependent for their livelihood*** on the (bureaucratic) oligarchs. It makes no difference whether we call them workers, wage slaves or proletariat. They are totally ***dependent*** and therefore ***not free***. In socialist states this is particularly evident.

It is not surprising, then, that *Wikipedia* under the term ‘oligarchy’ remarks that ‘*oligarchies have been tyrannical throughout history, being completely reliant on public servitude to exist*’. It is recognized that in a democratically run oligarchy (e.g. the USA and Europe) the serfs tend to have more economic and political freedom than in socialist states, ***but in both cases the oligarchs win and the people lose.***

### ***Without synergy we will destroy ourselves***

What is ‘synergy’? Our friend *Wikipedia* says: ‘*a dynamic state in which combined action is more effective than the*



*sum of individual component*

*actions*’. So how can that save us?

Well, combined synergetic action is not just more effective, it is *exponentially* more effective. And if we want to feed a hungry world (recently we passed the threshold of

more than one *billion* people going hungry!), we need an exponential increase in global food production, just to address the very first basic need.

To do that, we need synergy. Now, there has been one who explained synergy to us a long time ago. He once gave a crowd of more than five thousand just 5 loaves and 2 fishes. The strange thing was, they all had their fill and there were still 12 basketsful of leftovers. We refer, of course, to the ‘miraculous multiplication of loaves and fishes’ (John 6:5 - 14). The miracle is ‘synergy’. If we apply synergy wisely, we will find that all can have their fill and ***there still will be plenty left over!*** There is enough for everyone. ***The natural order is abundance, not scarcity.***



## ***No privilege to synergy***

Synergy is *not* the property of religious belief or any particular religion. It is a ***principle***, just like the principle of causality. Synergy is based on the '***principle of solidarity***' which can be applied by any person, any group, any religion or any state, anywhere in the world. In fact it has been promoted by all world religions, although not by the word 'synergy'. And to a certain extent most people within the family circle apply it. However, we usually do not apply it effectively in society. A global ***unified use*** of synergy would transform the world 'miraculously'.

And all this can ***and must*** come about without any violence. Not one shot need be fired. Not one sword need be drawn, except ***the sword of reason***. To cure poverty by synergetic non-violent means, creating more growth, more contentment and more peace, simply ***makes sense***. If this were possible, anyone in his or her right mind would do whatever he or she could to achieve it. Allow us to show you that ***it is possible***. Yes, we definitely can!



## *New Democratic Balance*

Democracy is the art of establishing and maintaining a just balance between private and public interests. In the first article in this series we called for a *synergetic system* to effectively balance authority with participation, leadership with co-operation, spirituality with materiality. The term proposed for this synergetic system is *solidarism*, commonly referred to as the 'Just Third Way'. Now, let it be crystal clear from the outset that *solidarism* is democratic. But it is a deeper kind of democracy, adding an economic element. Without this extra economic element, *political* democracy, as we know it in the US/Europe/Japan and some other countries, will perish.

It will perish because the political and economic elite will suffocate it. The strangulation of democracy has been ongoing for quite some time. Democratic rights have been undermined first under the guise of 'fighting crime'. Of course, crime must be fought, but *not* at the expense of our liberty and civil rights! But that is exactly what has been happening. Then the 'war on drugs' was used as an excuse to undermine our rights even further. Of course, drug abuse should be brought under control, but *not* at the expense of democracy! Nevertheless, this is exactly what has been happening.

### *War on terror*

And then, as a Godsend from heaven, the Twin Towers in New York City were destroyed. What a bonus that was for the democracy-stranglers! That was their big chance! And, indeed, the onslaught on our freedoms and rights was undertaken in earnest! And to make sure the entire world would see and know, the corpse was placed on public

display at the US-prison in Guantanamo Bay, Cuba. For a while it appeared that fascism had won, that democracy was dead. Thank God, however, for the strong democratic roots among the American people. Slowly they woke up and saw that democracy was unconscious, but not yet dead. To revive it, they voted Barack Obama into office.

Now, Obama wants change. He wants to end torture, to mention just one stab in democracy's back. But the mass of the American Ship of State is so vast that any change will necessarily take time. Moreover, what kind of change does Obama really want? He is not calling for economic democracy. He is not seeking the new democratic balance we propose. So the results to be expected from Obama will not be spectacular. But if democracy is saved and people's rights are restored, that would be an important first step.

### ***Economic democracy***

Instead of ***undermining*** human rights, *solidarism* proposes to ***add*** a new *economic* right, i.e. ***the right of every citizen to acquire a privately owned share in the means of production***. This right will be made *effective*

- 1) by extending credit to every man, woman and child enabling them to buy stocks and shares and
- 2) by allowing these borrowers to repay their loans with the dividends generated by the acquired stocks and shares.

The Central Bank will extend this credit. Once the loans have been repaid with the dividends generated, the acquired stocks and shares will be the buyers' own free property. They can be sold or retained to generate ***a second income***. It is simple. Economic democracy means that all citizens will be enabled to acquire a share in the means of production to guarantee everyone a second income, i.e. an income from ***capital*** besides their income from labor. And

this is just one financial instrument proposed by the developers of *solidarism*, a system designed *to empower the poor without taking from the rich*.

To avoid war, people need some money in their pockets. If they can't afford food, for instance, they'll fight. Is that so hard to understand? Besides, how else can one revive an economy, unless the people have money to spend? *Solidarism* makes simple sense.

### *Caribbean perspective*

As said, we will introduce *solidarism* (usually referred to as the 'Just Third Way') from a uniquely Caribbean perspective. How can *solidarism* based on its economic theory known as 'binary economics' be introduced in the Caribbean region? Could *solidarism*



as a political/economic system be tested on a Caribbean island, say for instance, St. Lucia, Curaçao or Aruba, or even in a country like Surinam? These and similar questions will be considered in this series.

## II. Articles Written in Cuba while Trying to Execute the First plan

### *The 1,000 mile Journey ...*

We set out from *Santa Fe*, a village near Havana. Where else? Without faith, nothing is accomplished. This is as much a spiritual pilgrimage as anything else.

The biggest problem facing proponents of the Just Third Way, which we prefer to call *solidarism*, is **communication**. How can we explain to a public tired and wary of ideologies that there is a better way in between socialism and capitalism? How? Especially when the *solidarist* economic theory *appears* complicated and wrong words were used in the past to describe and promote it.

### *It's easy when you know it*

The theory *appears* complicated, but is in fact quite simple. It is not difficult to understand that everybody could buy the best stocks and shares in the Stock Market, if only one could get a loan to buy them. And everybody understands that ownership of enough shares in the best companies would procure a second income from capital. Because shares pay out *dividends*.

Who would not want to receive a second income from dividends, if only one could acquire the shares? But what if the Central Bank would lend you the money and you could pay back with the dividends received?

### *Think about it.*

## *Che Guevara, a Stranger in Cuba*

Who says we have no right to meddle in Cuba's internal affairs? Was not Che Guevara a foreigner in Cuba? Did he not meddle? Moreover, we firmly believe that Havana is the cultural and intellectual capital of the Caribbean region. This is **our** region and there is good reason to believe that one day Havana will be the region's political capital as well. So we have every right to be here and to meddle. And anyway, we meddle *peacefully* using only the WORD.

There is no such thing as 'independence' anymore. All nations are interdependent and interconnected. There was once a clear distinction between foreign affairs and home affairs. That is history. The highest political aspiration for the Caribbean region (which includes Central America) is to gain recognition as the third distinct region in the Western hemisphere. It's the connecting link between North and South America as well as between Europe/Africa and the Americas.



### *Why do we do this?*

Why would anyone in his right mind walk from Havana only to reach *Guantanamo*?<sup>1</sup> We do it because we want to draw attention to *Solidarism*, the Just Third Way.

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<sup>1</sup> This plan was aborted, as explained in the introduction. We in fact walked from another village near Havana, also called *Santa Fe*, to the town of *Nueva Paz*.

We **know** this will make an honorable and peaceful transition to freedom possible for Cuba and its people.

We **know** that the liberation from this lethal dualism between socialism and capitalism will do much to promote peace.

We **know** that **abundance** is the natural order, and that all scarcity-based economics is faulty.

Don't contradict us without first thoroughly studying the proposals of binary economics. We share socialism's aim of liberating and empowering the poor. But socialism failed to deliver. The poor remained poor and even have to be oppressed to stay poor and maintain the socialist system. We share capitalism's superior method of economic production and we combine both aim and method in a spiritual crucible of fraternal reality:

***The Third Promise of the French Revolution.***

## *Let's See What Happens ...*

Some people we have spoken with, both Cubans and non-Cubans, have assured us that if we last just one day that is already a victory. Why should this be? Because we walk and express our opinion? Maybe those people failed to see that we are planting a *third* position, beyond socialism and capitalism, not inimical to either. However, socialism should respect freedom and capitalism should stop excluding the poor.

In fact we did survive the first day without any trouble. But it was not a victory. We walked from *Santa Fe* to a village called *Cangrejas*. There we encountered the first practical setback. We could not find any place to stay. We were forced to walk on in the direction of the next village called *El Cano*, which we never reached. *El Cano* was a bridge too far.

### *Change of plan*

What we found the first day was that the message just does not get through at all. Absolutely nobody even asked what we were trying to say. A complete blank! This was only partially caused by the fact that when walking along an unpopulated road, the number of people one meets is limited. We conclude that either people just don't get it, or they are mortally afraid and dare not speak up.

This means we have to change plans. Instead of the *Provincia*, we will have to try our luck in Havana. Let's see what happens.

## ***Cuba is a Prison***

The Cuban people are afraid of the Cuban state; they are imprisoned in their own country. They need government permission to leave Cuba, even for a holiday. Obviously, the government does not want its slaves to run away.

Now, why do the slaves not just refuse to cooperate? In a way they do. Only the socialist hardliners are dedicated to their work. The great majority perform their duties the way a slave would: with as little energy as they can get away with, serving the capitalist tourist in their spare time (or ripping them off whenever they can). Their masters pay them on average no more than twenty (20) to thirty (30) dollars monthly, just enough not to die.

### ***Culture of fear***

Fear totally pervades Cuban society. If you believe the Cubans, you should expect to find a microphone in every woman's bra. This obviously serves to bring out the absurdity of the sense of the fear they have. Nevertheless, the fear is real and is intentionally and systematically maintained, the colonial pattern in a different setting.

***Essentially it is fear itself the Cubans fear.*** They could, of course, stop prostituting themselves, either mentally or physically, to the tourist and express their disgust openly by wearing a black ribbon, for instance. But they don't. The courageous prefer to risk their lives in a 'balsa' to reach Miami. Why they don't risk their lives to change the situation at home remains a mystery.





### *Turning a negative into a positive*

Now, it may appear that this analysis is negative. It is not. Cuba is a great country and may be the first to introduce the Just Third Way, 'La Tercera Posición' as people here understand it better than 'Tercer Camino'. It is in fact the only honorable way out for the Castro regime.



Our Havana experience, where we walked and exhibited our message along *El Prado* and the *Parque Central* for three days, has convinced us that our original plan was the better one after all.

### III. March from *Santa Fe* to *Nueva Paz*

#### *Fifty Reflections on Cuba's Revolution*

While walking *El Prado* and *Parque Nacional* it turned out that the difference in connecting with the Cuban people was marginal, as compared to the first day of our march to *Cangrejas*. Of the thousands of people we met, only about twenty to thirty read and understood the message, albeit partially. Only three were seriously interested and received a thorough explanation. They got the point.

Maybe we should have realized from the start that only *intellectuals* could really grasp what we are saying. So we cannot expect any appreciable effect on the streets, whether we march along an empty road or in busy Havana. And that being the case, the spiritual effect of our endeavor must prevail. We will therefore resume the march.

#### *Coincidence*

It so happens that near Havana there are two villages called *Santa Fe*. Due to the taxi driver's misunderstanding, the first time we ended up in *Playa Santa Fe* instead of the 'real' *Santa Fe*, east of Havana. It does not matter. We'll march for fifty days meditating each day on one year of the Cuban revolution. And our cosmic request is clear:



For Cuba to open its eyes to the ‘*Tercera Posición*’. We have at least some reason to believe that in the meantime we have penetrated into the highest echelons of the Cuban government. Our request to them is: ***Study our proposals carefully while we march. Any time you wish to speak to us we are ready.***

***Cuba should reflect on its own national anthem:***

"En cadenas vivir, es vivir;  
En afrenta y oprobio sumido;  
Del clarín escuchad el sonido;  
¡A las armas, valientes, cored!"

We emphatically do *not* promote nor suggest any violent ‘regime change’ of the Cuban government. But Cuba's anthem does. So beware! But there is an easy and



reasonable way to avoid much futile bloodshed: Cuba, respect the natural order of abundance for all and adopt *Solidarism*, the Just Third Way!

More info at:

[www.cesj.org](http://www.cesj.org)

[www.binaryeconomics.net](http://www.binaryeconomics.net)

[www.arcoarib.com](http://www.arcoarib.com)

## *Lift the Blockade*

Cuba needs the blockade. They don't want it lifted. It is the perfect excuse. It can and is constantly and consciously used to keep the fires of hatred burning, mostly against the United States. And if anything goes wrong in Cuba, there is always the blockade to blame.

Don't forget that the force used by socialists to galvanize and unite the people is envy and hatred. Socialism cannot exist without an enemy. To establish a socialist state, any hateful issue against the rich is



exploited. And once the state has been established, the hatred is shifted to an outside enemy: the Capitalist West. Without an enemy to focus its hatred upon, socialism loses its force. Lift the blockade and the Cuban state will soon destroy itself. The hatred will turn upon itself.

## *No defense of capitalism*

Capitalism, too, draws its force from a negative emotion or vice, i.e. **greed**. Insatiable greed. The present global economic crisis (2009) demonstrates clearly what this leads to. Where is the *justice* (assuming we should worry about that) in CEOs earning 500 to 1,000 times more than the least paid worker? Where is the justice in constantly maintaining capital ownership in the hands of 2 - 5% of the population? And then, what of the *lie* that it does not matter *economically* that this is so? It does matter a great deal. For

one thing, it stifles consumption and thereby economic growth.

The present 'casino capitalism' crisis (2008 – 2009), promoted and maintained by 'banksters', has caused a huge increase (U.N. estimate is 13%) in hunger and poverty in poor countries. No doubt a multiple of the number of victims killed on 9/11, died as a consequence. Is it really surprising that Hugo Chavez wants revenge? He, too, needs an enemy who is not very hard to find. '*Socialismo o muerte*' [socialism or death] has once again become a powerful slogan throughout Latin America. Only the deaf and the blind fail to see that we need new solutions. So why does academia fail to thoroughly study and analyze Louis Kelso's binary economic theory?

For now may it suffice to say that there exists a justice-based interfaith alternative for Cuba and the world. We call it *solidarism*, the Just Third Way.

## ***The Cuban Opposition***

Fifty years of revolutionary '*Indoctrinología Cubana*' and some relatively mild repressive measures have prevented the emergence of any serious opposition. But there are a number of dissidents who try to do what they can. We have spoken with a few of them and will continue to add to our contacts. However, only with those who pursue non-violent means. Anyway, the violent ones would not wish to talk with us, even if we knew how to find them.



The very nature of *solidarism* is to promote justice, democracy and peace. How could we ever resort to violent means to establish it? '*It is good to have an end to journey towards, but it is the journey that matters in the end*', so say the Buddhists. And they are right. We will find the peaceful means to establish solidarism. It will take more time but when established peacefully, the result will be more stable and probably permanent, unless, of course, there is still a better way.

### ***Reconciliation***

We agree with and support those dissidents who advocate reconciliation between the Cuban exiles and the stay-behinds. Even with the Cuban authorities. We firmly reject any outside military intervention. To facilitate peaceful transition to democracy, both political and economic, we have drafted an *Amnesty Law for Cuba*, based on the logic



behind the South African 'Truth and Reconciliation Commission'. Any other way would force the regime to cling to power. The document is annexed (see pg. 170). It also can be found in the 'Caribbean Knowledge Centre' at [www.arcocarib.com](http://www.arcocarib.com).

Cuban dissidents should realize that, although what they are asking now is in itself absolutely reasonable, they cannot expect to get it, unless they can prove they have something better to offer than socialism. The Cuban government cannot allow the restoration of human rights, i.e. civil and political rights, as that would inevitably lead to the reintroduction of capitalism. The revolution would have been in vain and they might as well never have bothered.

***The opposition has no other choice but to accept and promote solidarism, the Just Third Way.*** If you want change by means of dialogue with a socialist regime, you must be able to move the discussion in the direction of something that is better than capitalism. Not only is *solidarism* as a system more *just* than capitalism, economically it is also superior. It promises abundance for all and the restoration of all human rights. If ever there were a win-win situation, it is certainly this. If the dissidents don't want to be part of this solution, they will have to remain part of the problem. The same is true for the Cuban government.

## *Pilgrim's Progress*

While walking along Cuba's highways, one cannot help but be reminded of John Bunyan's *Pilgrim's Progress*, a book highly recommended. And anyone wishing to understand the socialist mindset, should read John Steinbeck's *In Dubious Battle*.

Steinbeck shows that socialism has a root cause. It is the ruthless exploitation of the poor by the rich. This is intolerable to any person, religious or not, who has some compassion for his fellowmen. And if you then believe that



socialism can change all that, you go for it. It is quite understandable, then, why Fidel Castro and Che Guevara risked all to establish it. Although grievously wrong in believing that the end justifies the means, it cannot be denied that they were sincere. And that their goal in itself was noble.

However, after the collapse of the Soviet Union, it was high time for a thorough rethink. The Cuban regime does not appear to have done so. That is reprehensible. When you see with your own eyes that the socialist economic model does not produce the abundance you promised the people, it is your duty to rethink.

Could it be that Raul Castro is in fact finally rethinking? Or are we reading too much into his recent highlighting of Cuba's poor agricultural output? About half of Cuba's



arable land lies fallow, while nearly 80% of its food is imported!

### ***What's in a title?***

It so happens that the person to first advocate *solidarism*, Louis Kelso, published his first book in 1959<sup>2</sup>, the first year of the Cuban Revolution. It may well be that the title of this book put off completely the Cuban revo-



lutionaries and all other socialist researchers. In hindsight it was a grave error to call his first book: *The Capitalist Manifesto*. We suppose he did it to avoid being accused of advocating socialism. Nevertheless, the mistake was disastrous. And his second book *The New Capitalists* did nothing to take away the wrong impression.

It is true that Kelso called his system ‘Universal Capitalism’ and that real intellectuals should be expected to read more than just the title of a book. In fact, what Kelso advocates is neither capitalism nor socialism. It is an entirely new system, rightly called a *new paradigm*. Therefore his first book-title continues to confuse. The mistake cannot be undone, but *The Solidarist Manifesto* would have been a thousand times better, I think.

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<sup>2</sup> It was in fact in 1958. While writing these articles we had no access to Internet or any other reference materials.

## *A Broken Leg*

Thank God it was just the leg of the frame on my glasses. It was also a personal experience of the good side of Cuba's socialist system. We found an optician in *Guanabo*, who put on a new leg within five minutes at just one Cuban peso. Not the CUC, but the national currency used by Cubans, i.e. non-tourists. U.S. equivalent: a nickel (US\$ 0.05). Where on earth could you be helped in this way at that price? Only in Cuba! Say what you like, despite its financial difficulties, Cuba does not turn its back on the sick and disabled. Health care is universal and (nearly) for free. Shame on the United States!

And to those critics who say that Cuba's health care system is of poor quality, we answer that a non-existent health care system for the poor in other countries (even the U.S.!) is at any rate worse.

Cuba should not be compared to France or Canada. It should be compared to the Dominican Republic, Haiti or Jamaica. Cuba leaves these countries far behind, both in regard to health care and education. Socialism is not all bad. Cuba certainly does care about its people.

### *Sense of community*

Noticeable also is a much greater sense of community than anywhere else. People are very friendly and help each other. Both in cities and in the countryside they have close contact with their neighbors and people out in their street. There is much public space and a strong sense of belonging. That is in sharp contrast to western countries, where people tend to be closed-up and individualistic. And,

yes, mostly more selfish. Certainly there are things we could learn from Cuba.

Crime, too, is much better controlled than in most rich countries. True it is, many things are illegal in Cuba but people do those things anyway to survive. Examples: selling goods on the streets without a permit, touring tourists without a permit etc.. These activities and anything else that might result in a resurgence of capitalism (such as running a private business), are illegal. In fact there are many such illegal capitalists in Cuba. But serious crime such as theft, murder, rape and robbery is rare in Cuba. Admittedly, this is also due to the fact that there seem to be more policemen than civilians. Nevertheless, in this respect, too, Cuba has something to be proud of.

## *The Leprosy of Useless Businesses*

Free mankind of the 'leprosy of useless businesses', says José Martí. What did this '*auctor intellectualis*' of the Cuban Revolution mean? In Cuba it is taken to mean, among other things, that there is no point in producing and using new things, whereas the old are still perfectly usable. There is truth in this.



Take Cuba's cars as an example. Approximately half of them are old timers, Chevrolets, Buicks and even Cadillacs of the '50s and '60s. They have become the hallmark of Cuba's tourist industry. Sheer nostalgia to see these 'ships' navigate the streets of Havana. Call them '*carcasos*', if you like, but they are alive and well. In Cuba cars never die. Even some oldies from the '30s and '40s are still in use as taxis for the locals. And why not?

### *Unbreakable logic*

Socialist economic thinking is not devoid of logic. If basic goods are mass-produced without any extras or frills, it takes the least amount of effort to produce them. If you then make sure they are durable and are used and re-used carefully, enormous amounts of natural resources and many

man-hours are saved. This means that everybody can be provided with the essentials in the shortest possible time and at the lowest possible price.

To a certain degree, at least, this logic works. In Cuba wages are low, but so are prices of basic goods. People work only 7 hours a day, 2 days on, 1 day off - a very relaxed lifestyle. In general, certainly in the countryside, people are well fed, clothed and reasonably housed. Electricity and clean water are distributed throughout the country, even in rural areas. And although transportation could be better, there are many buses and even trains to get around. Again, if compared with comparable countries in the Caribbean, Cuba in general, is well ahead.

## ***The Leprosy of Useless Businesses (2)***

Businesses pandering to thoughtless consumerism in capitalist countries do indeed produce a lot of waste, putrefying the environment and frittering away natural resources. José Martí has a point. This does look like leprosy, at least a bit. Why buy goods just because they are new or in fashion, whereas the old are still perfectly useable?



Here, too, a reasonable balance, a third position, should be found between the two extremes of Cuban conservationism and exaggerated consumerism. The rich countries should use natural resources more economically, whereas the quality and durability of goods should be improved.

Sustainability demands we produce ‘more with less’, i.e. produce more goods while using up fewer resources and, at the same time, recycle and re-use more. On the other hand, liberty demands people should be allowed more choice, more financial resources to spend wisely or foolishly (as they choose) and more private property.

### ***A luxury problem***

*Solidarism*, the Just Third Way, is very conscious of two facts:

- 1) To lift the masses of people around the world out of poverty a tremendous amount of new goods must be produced in record time, from food to clothing to building materials etc.

2) If this is done in the same wasteful and polluting manner as is prevalent at present, particularly in the West, we will soon choke.

The luxury of *solidarism* is that it provides a solution to this twin problem. By restricting the extension of newly created money loans exclusively to green companies at 0 - 2% (just enough to cover the risk of default), the two birds of a) accelerated economic growth and b) sustainability, can be killed with one stone. Money creation by the Central Bank to promote green growth produced by non-leprous companies owned or largely owned by the workers, is the 'stone of the wise', so to speak.

## ***E.S.O.P is not Electronic Soap***

José Martí was a prophet, calling all useless businesses 'leprous'. But, then, he did not know what E.S.O.P. means. E.S.O.P. is a financial instrument designed to include employees as participants in the companies where they work.

It stands for: Employee Stock Ownership Plan. It was the first but not the most important instrument invented by Louis O. Kelso to broaden capital ownership in the means of production among as many people as possible. He and his co-workers later extended the basic E.S.O.P. logic to other instruments which literally include all people in capital ownership. By the application of Kelsonian principles and instruments, every individual man, woman and child will become the owner of a 'capital estate', which will provide them with a second income from capital on top of their income from labor.

This does not mean that everyone will own an equal amount of stocks and shares. In a Kelsonian economy there still will be rich and poor people. But even the poor will be sufficiently well off to be financially independent.

### ***Promises, promises...***

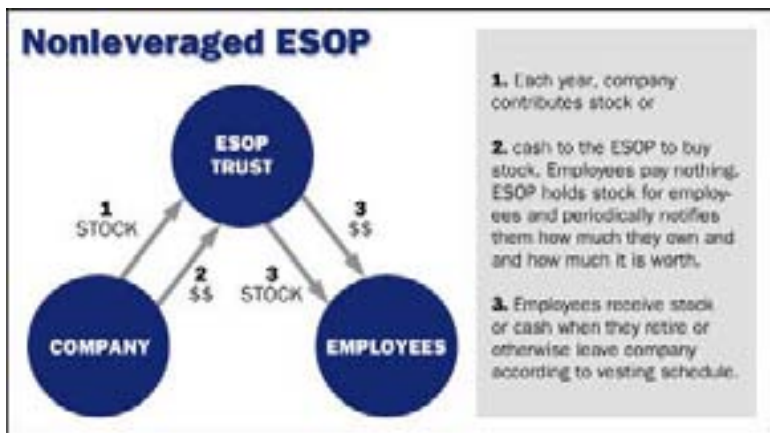
This is quite a promise! We stand by it. It is not a Ponzi scheme. The blueprint for transition to a Kelsonian society is ready. Its designers are eagerly looking for any government, anywhere in the world, willing to try the experiment. This could be Cuba, if it wants its people to progress. If it wants to include its citizens as private owners of the means of production and natural resources. Not indirectly via the state, but *directly* as owners of shares and



stocks in privatized businesses owned by all Cuban citizens.

***The solution is there.***

José Martí would rejoice. There would be no need to maintain *the leprosy of a standing army*. In five years' time the Cuban people would experience much relief. In ten years' time confidence in Cuba's future would be completely restored and people's real income would have risen sharply, if not doubled or even tripled. In twenty-five years' time Cuba could possibly overtake the United States. Admittedly, *solidarism* on a national scale has never been tried before, but even if the experiment should fail, Cuba would be much better off than it is now. One cannot lose.



## *Niña Bonita*

During the first day of our march we passed a collective farm called *Niña Bonita*. The idea was to establish large collective farms throughout Cuba, owned by the state, where the farmers would be provided with necessary tools such as tractors and other mechanized farm machinery. This is intelligent and economical. A simple example will show why: Instead of ten small tractors at \$50,000 each for ten farms, just one big tractor at \$100,000 will suffice for the collective farm. Savings: US\$ 400,000. Moreover, as the Cuban state can buy these bigger tractors in large quantities, a lower price, say \$80,000, can be negotiated for each. Thus the advantage is even bigger.

And as these large farms can be highly automated and mechanized at a fraction of the cost of doing the same for a large number of smaller farms, agricultural production will be higher if collectivized, while requiring fewer man-hours. Moreover, the well-



coordinated cooperative effort of farmers working for large collective farms should be more efficient than if each were working on his own small farm. All these measures and savings combined make it possible for collective farmers to work fewer hours and earn more than they would if working on their own. The collectivization of the farming industry, therefore, makes perfect sense. What could possibly go wrong?

***It is absurd to believe that the defense of a country can be entrusted to those who do not own a part of it.***

The essential thing that does and did go wrong at *Niña Bonita* and similar collective farms, is the fact that people work differently if they own what they work for and if their efforts produce direct financial results for themselves and their families. The collective farmers work for the Cuban state and receive a monthly wage. They own nothing for themselves. Even the cows grazing the fields are property of the Cuban state. The state has taken over all responsibility for managing and running all of Cuba's collective farms reducing the individual farmers to the status of wage slaves. It makes no difference at all to them if they exert themselves or not. The wage will be the same whether the farm produces or not. The state has to provide and pay anyway.

But *Niña Bonita* could easily be turned into an E.S.O.P. company. Property of the complete farm could be passed to *Niña Bonita* E.S.O.P. S.A. and all farmers working there would be shareholders. ***Provided the farm is then well managed***, this would change everything. Owners work differently than wage slaves. That's the natural order of things.

## ***What's Missing?***

We have asked many Cubans why they are not happy? After all they have job security, there are excellent schools and universities, health care is free and among the best in the world, working conditions are better than in most countries (where do you get a free lunch every day?), public transportation is accessible to all, so what is missing? Why are they not happy? Why does everything look drab?



*CDR is listening!!*

*Comité de Defensa de la Revolución*

Most people answer that their wage is too low. To buy even basic necessities, such as soap or toilet paper, they have to take all kinds of side jobs and do all sorts of things that are considered illegal in Cuba such as street vending, begging, renting out rooms to tourists without a permit, taking home food from the canteen etc. etc.

### ***Our own assessment***

We will return to this theme, either explicitly or implicitly, because the question is simple, but the answer complex. Our assessment, therefore, is provisional.

As far as we can see four things basically are missing:

1) Wages are indeed too low; the Cuban economy simply

does not produce enough to be able to raise them;

2) There is not enough freedom; there is no freedom of speech, no freedom of association, no free elections, no freedom of migration, no free enterprise;

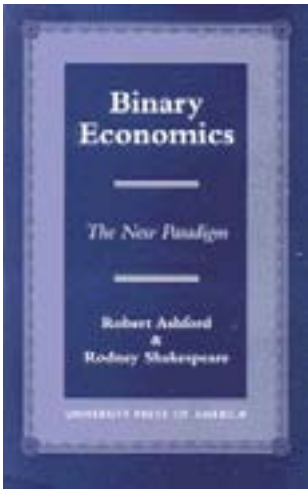
3) Restrictions on the right of property are too severe;

4) Lack of spiritual pursuit; the quest for unity with God was stifled in the past and has hardly been rekindled.

One awkward question remains. Why are people in countries where the above four points are not lacking also unhappy?

## *It's Lonely at the Top*

*Solidarism* is **the** new paradigm. Not **a** new paradigm. It is **the** political/economic new paradigm for the twenty-first century. Rodney Shakespeare (Visiting Professor of Binary Economics at Trisakti University, Indonesia) and Robert Ashford (Professor of law, University of Syracuse, USA) were very careful and confident when choosing the title for their book: *Binary Economics, the New Paradigm*. It is terribly arrogant to claim you are writing out the prescription for the new paradigm, unless it is true, of course. And if you know it is true but don't claim it, that is false modesty.



Shakespeare and Ashford were not the first to prescribe the new paradigm. It was Louis Orth Kelso. And they duly give Kelso all the credit. Kelso's legal and economic insight forming the basis of his 'Binary Economic theory' is comparable to Galileo's insight that not the earth but the sun is the centre of our universe. At the time that was the new paradigm in astronomy and physics. At first Galileo was met with unbelief and ridicule, until in the end everyone saw that his theory was indisputable. The same will happen with Kelso's insight.

### *Both capitalists and socialists fear binary economics*

People fear new ideas. It upsets them. And sometimes they even react violently, hoping to suppress the new idea. More

so if the new idea has direct and drastic political and economic implications. Capitalists instinctively fear you're trying to steal their money. Socialists instinctively fear you're trying to undermine their power.

They both can relax. The financial instruments developed by Kelso and his successors do ***not*** propose to take away anything from the rich. What they already have, they may keep. Kelso only proposes to share ***future*** growth.

And our Cuban socialist friends should also relax. They grabbed power fifty years ago to be able to distribute income more fairly, especially aiming to include the poor. Well, Kelso also includes the poor. But his way is even better. Instead of distributing ***income***, Kelso proposes fair distribution of ***property*** among all, which will automatically result in fair distribution of income to all. And if Kelso's way is used, there will be much more to distribute than socialists could ever dream of. Kelso proposes to distribute ***abundance***, not ***scarcity***.

## *Cuba will always have a Baraguá*

Passing through the village of Jamaica on the tenth day of our fifty day march, each day reflecting on one year of the Cuban Revolution, the writing on the wall was clear: '*Siempre tendremos un Baraguá*' [We will always have a Baraguá]. The power, intelligence and courage to make a bold decision and stand by it. That is a *baraguá*. And since Cuba always has one, we are here in the right place, at the right time.



We have handed in a petition to the Cuban government to grant us a permit to publish *ARCO* in Cuba. *ARCO* is an independent magazine that, until recently, was published regularly in Curaçao and Bonaire. The petition request is to allow us to publish *ARCO uncensored* in Cuba. We are awaiting the government's *baraguá*.

### *Why is this baraguá so important?*

Cuba's economy is slowly grinding to a halt. Rapid economic growth is a must. The adoption of *solidarism* in Cuba can trigger that. We need the permit to be able to explain how. Double-digit economic growth cannot be triggered instantaneously. There is no magic wand. But we assert with confidence that the application of *solidarist* principles and instruments will make a marked difference in a short period of time. In five years' time a smile would



be returning to the people's wallets. And in ten years' time the transformation would be almost magical.

How? Simple!

Mind you, below we only mention the effect of the E.S.O.P. instrument. But, E.S.O.P. is by no means the only *solidarist* instrument!

1) The Cuban Central Bank can use its power to create money (i.e. to extend credit) to finance the takeover from the Cuban state of thousands of businesses, farms, hotels, factories, restaurants, cafeterias and shops by E.S.O.P. companies. This means that the workers and farmers would become the owners (shareholders) of these E.S.O.P. companies.

2) The workers thus empowered would make these E.S.O.P. companies profitable. The profit would be distributed to them as dividend on top of their regular salaries. This second income from capital would sharply increase their spending capacity, i.e. ***they would consume more***. Increased consumption triggers economic growth. A self-strengthening upward spiral of economic growth would ensue. Cuba, you can do it. A ***baraguá*** is all we need.

## ***Cuban Bank of Natural Resources***

Let's get one thing straight. Natural resources by natural right belong to the ***people***. Not to just a few rich people (as in capitalism), nor to the state (as in socialist Cuba). They



belong to the people, i.e. every individual man, woman and child. God did not create them just to be exploited by the rich, nor by the state. The state is a man-made construct, which has

the right and duties the people decide to concede it. Sovereignty remains with the people.

When were the people asked to pass the property of natural resources to the state? Never. The state expropriated them *without warrant*, presumably to be exploited on behalf of and for the benefit of the people. But in reality this just means that the people have lost their natural birthright. In a *solidarist* society this birthright will be restored.

### ***Give the Cuban people back what is theirs***

The grave error Fidel Castro made was his belief that if the state would expropriate all means of production and natural resources, this would empower the people. It does not, as he also can realize by now. The State is an abstract entity with a natural tendency to become tyrannical. It should be entrusted with as few tasks as possible, i.e. only with those that are really best done collectively. Whatever the people can do, should ***not*** be entrusted to the state. And unless the

people have a direct say in this construct called the state, they lose all power. This is crystal clear in Cuba.

*Solidarism* will give back to the Cuban people what was theirs all along, i.e. both the means of production *and* Cuba's natural resources. In a *solidarist* society every Cuban citizen would receive free of cost one non-transferable share (with full voting right) in the Cuban Bank of Natural Resources. This Bank would commercially exploit all Cuba's natural resources, such as aluminum, nickel, copper, marble, cement, wood, petroleum etc. Commercial exploitation means at the maximum profit possible. Each year all profit - after deduction of reasonable taxes to a small state - would be distributed as dividends to the Cuban people.

If the management of this bank were not doing a good job, the people would have the right to dismiss them and nominate new managers. This is one meaning of the *solidarist* concept of "Economic Democracy". This is real power to the people. Not to the state, but to the people. Raul Castro, please consider this proposal carefully.

## ***The Incredible Story of the Man, the Donkey and the Truck (1)***

Once upon a time there was a man who planted beans. He was a *Carib-bean*, of course. His name was Pedro Ranchero. His *hacienda* was always full of *frijoles negros* [black beans], which he sold at the market in *San José de las Lajas*. Every day he carried a bag of beans to the market, ten kilometers away. This journey took him about two hours. It was real hard work.



*Main street San Jose de las Lajas, Cuba*

In the woods near his *hacienda* there lived a wild donkey, who also loved *frijoles negros*. Often Pedro chased the donkey off his land, until one day he had a bright idea. He figured that the donkey could easily carry two bags of beans and reach the market in just one hour. He caught the donkey and taught it to carry beans. This is when Pedro became a capitalist. He let his capital (the donkey) work for him, doing twice as much work in half the time as he himself could. Pedro's profits soared and he was very happy.

### ***Who really does the work?***

One day at the market Pedro met a man called Adan Smith-Herrero, since Latinos usually have a double surname.

Adan had studied the works of a pin manufactory. There he had made the sharp observation that specialization of tasks increases the productive output per individual worker. He reasoned that if ten non-specialist workers can manufacture fifty pins per hour, the productivity of each individual worker should be calculated thus:

*Fifty pins divided by ten workers equals five pins per hour.*

And if ten specialist workers can manufacture a hundred pins per hour, this means that the productivity of each worker has doubled, for a hundred pins divided by ten workers equals ten pins per hour. And if they can produce a hundred pins in half an hour, their productivity will have quadrupled, i.e. twenty pins per hour.

Accordingly, Adan told Pedro that working with his donkey had quadrupled his productivity. Pedro did not



Adam Smith (*Adan Smith-Herrero*)

really understand this, because he thought that the *donkey* did the extra work. But Adan Smith-Herrero was an English professor of economics and Pedro was just a simple *campesino*, so he took Adan's word for it. And ever since Smith's way of defining and calculating productivity was accepted as a basic tenet of economics. Only Pedro was never really convinced.

## ***The Incredible Story of the Man, the Donkey and the Truck (2)***

And then Pedro's donkey died. In the meantime technology had progressed and sometimes Pedro saw a truck taking *frijoles negros* to the market in *San José*. This truck carried 100 bags to the market in just ten minutes. Remembering what Adan Smith-Herrero had told him, Pedro calculated that if he owned a truck, his productivity compared to working with his donkey would increase  $50 \times 6 = 300$  times. And compared to his working alone, his productivity would increase by a whopping  $100 \times 12 = 1,200$  times! This whetted Pedro's capitalist profit appetite.

But, unfortunately, the bank would not lend him the money, for he could not provide collateral. The land he cultivated was part of an undivided inheritance, registered in his grand-father's name. His family were unwilling to mortgage it out. So Pedro contacted the owner of the truck to see if he could buy it second-hand, paying with his labor and a large amount of beans.



The owner was an American called Buck Business. Buck was unwilling to sell his truck, but offered Pedro a *dignified* job as a truck-driver at a monthly salary double of what he used to make when working with his donkey. This was an offer Pedro could not refuse. He abandoned his *hacienda* and entered the service of Buck Business. And so

it was that *Pedro became a have-not capitalist*. But he was not yet aware of that fact.

### *Pedro opens one eye*

One day Pedro met a bearded man who was writing a book about 'capital'. The man, Carlos Marxoso, told Pedro that Buck Business paid him no more than a pittance and that the rest of the money Pedro made with Buck's truck was really stolen from him.



Now, Marxoso was a very strange fellow. He detested what he called 'capitalism'. But as an economist he agreed with Adan Smith-Herrero that the truck had increased Pedro's productivity 1,200 times, ignoring Pedro's protestations that it was really the *truck* that did the work. And Marxoso agreed with capitalist Buck Business that working for a monthly wage was very dignified. In fact, Marxoso glorified the wage-worker, whom he called 'proletarian'. He called upon proletarians of all countries to unite.

What particularly stuck in Pedro's mind was Marxoso's point that profit is in reality theft from the wage-worker. He began to feel that Buck was stealing from him. This feeling was strengthened by the fact that prices had gone up, but Pedro's wages had not. And Buck was living in opulent luxury. Hatred and envy began to take hold of Pedro's mind, which will always be the case when masses of people are living in dire poverty while some few have it all. One must be seeing blind not to see this. The gap between rich and poor is too wide and keeps on widening. Whenever this is the case, Revolution is never far away. As a matter of

fact, this is the case right now, in 2009. What are we waiting for?



## ***The Incredible Story of the Man, the Donkey and the Truck (3)***

One day when Pedro's hatred and envy was nice and ripe, Marxoso told him that there was a better way, which he called 'Socialism'. Marxoso explained that Buck's truck and all other 'capital goods', which he called 'means of production', such as land, farm animals, busses, planes and trucks, machineries, factories, warehouses, workshops and shops, including even intangibles such as patents, trademarks etc, could be given to the state. Then all profits would go to the state, which would use the money for the benefit of all.



This way everyone would work for the state and receive a reasonable wage. Nobody would have to pay any taxes, or perhaps very little taxes. The poor would be much better off, receiving in addition many goodies such as a free lunch every day, education, health care and transportation for free or, perhaps, for a nominal fee. Everybody would be happy in a socialist state. Marxoso advised Pedro to steal Buck's truck and all other 'means of production' and give them all to the state.

Pedro discussed this with his friends and they decided to go for it. They formed a band of 'guerilla's', led by Comandante Fidel el Ruso and Dr. Al Cha and started a Revolution. They stole all the 'means of production' the island possessed and, being genuine Robin Hoods, gave them all to the State. The only thing they kept was political

power. This is when *Pedro became a have-not socialist*. But he was not yet aware of that fact.

### *Pedro opens his second eye*

After some fifty years of Revolution, Pedro assessed his situation. The economy of the socialist state where he lived was not doing very well. Prices had gone up, but his wages had not. The government was in the process of terminating the 'free lunch' program. Some people were doing appreciably better than others, but nobody was living in opulent luxury as his former boss Buck Business. However, Pedro himself was just as poor as he used to be before the Revolution. He had to do all kinds of little illegal capitalist things to make ends meet. He illegally rented out rooms to tourists, he illegally changed money on the streets, he illegally re-sold goods, etc. And if all failed, he begged.

And then one day he met a bearded man walking along a country-road with a strange image painted on his t-shirt, something with three crosses. At first Pedro did not understand, but this strange man explained to him that he had been *had* all along. When he left his *hacienda* to work for Buck, he became a *have-not* capitalist. And after the state had expropriated all means of production and natural resources, he had become a *have-not* socialist. Both equally *have-not*.

'You should become a *have solidarist*', the strange man from an island where the air is good, told Pedro.

'Here's the secret', he said: '*Own or be owned*; that's the Norm'.

And he continued: 'This secret was handed down to me by a man from Normandy, who fought in the Korean war'. And it is to this Norman that our next article will be dedicated.

## *Own or be Owned*

If there is one man who deserves the Nobel Prize for economics, it is Norman Kurland. He deserves it for his indefatigable efforts to enlighten a critical mass of intelligent people around the globe who will at a certain moment be moved to implement the Just Third Way, which we prefer to call *Solidarism* for short. Also for the mass of political/economic articles and innumerable e-mails he writes daily on the subject. He will never give up. 'Persistence, persistence, persistence', is his motto. 'Justice, justice, thou shalt pursue', is another favorite of his.



Without Norman Kurland, Louis Kelso's brilliant legal, economic and political insights might have died a slow death amid the victorious clamor of the 'End of History'-capitalists. With all due respect for the invaluable contributions others have made - Professors Rodney Shakespeare and Robert Ashford have already been mentioned -, for Norman Kurland the Just Third Way is an obsession. Apart from his family, it is his only reason to live. He has survived cancer and despite his advanced age he hammers away daily as if nothing had happened.

He also is the author of a book entitled *Capital Homesteading for every citizen* and has contributed to many other books and publications, such as *Curing World Poverty*, to mention just one. In short, Norman Kurland is a

man with a mission. A mission of peace and prosperity for all. Is a more worthy mission thinkable? God give that he may live to see a tangible and irreversible beginning of the Just Third Way implemented somewhere in the world. Hopefully it will be in Cuba.

### ***Center for Economic and Social Justice (CESJ)***

Many years ago Kurland co-founded the Center for Economic and Social Justice (CESJ), located in Washington, U.S.A. This organization is dedicated to promoting the Just Third Way around the globe. Its website is: [www.cesj.org](http://www.cesj.org). The organization has an interfaith basis that considers all religions of equal worth. Its Core Values and Code of Ethics are posted on the Center's website. The Center distributes literature and books, including two e-books and many other articles and documents that can be downloaded and studied at home. Patiently the Center approaches other organizations around the globe to form alliances to strengthen the movement.



Some years ago CESJ nearly succeeded in getting a general law passed in Costa Rica, which would introduce the Just Third Way in that country as a parallel system, i.e. side by side with Costa Rica's present social-democrat (basically capitalist) system. The document, in English and Spanish, can be found at CESJ's website. This draft law could easily be adapted for use in Cuba, i.e. to introduce the Just Third Way as a ***parallel*** system next to Cuba's present socialist system. There would be a few extra difficulties to overcome, but it can be done.

## *A Parallel System*

Where socialism failed, *solidarism* will succeed: 'It's the economy, stupid!', Bill Clinton would say. 'And freedom', we add. *Solidarism* does not fear competition from capitalist companies. Provided they are well managed in accordance with *solidarist* principles, any ESOP-company can out-compete its capitalist competitors. We were inclined to add 'hands down', but will reserve that claim for when *solidarist* companies can compete with their capitalist competitors on equal terms, i.e. when at least 70-80% of *solidarist* infrastructure is in place. It is rather easy for a horse to compete with a donkey. Let two horses compete. The solidarist horse will out-run the capitalist horse *hands down*, even when hampered by a 20-30% handicap.

And precisely because we do not fear competition from capitalism, even less from socialism, we dare both to implement at least 70-80% of *solidarist* infrastructure as a parallel system, i.e. side by side with an existing system, either capitalist or socialist. 100% would be better, of course, but we'll take you on with less. In 25 years *solidarism* will emerge as the preferred system, freely chosen by the people.

It is because of the inherent superiority of the solidarist system that we insist we do not need a bloody revolution, nor any other acts of brutality, nor any propagandist lies to maintain a faulty system, nor any massive Robin Hood style robbery - not even by means of taxation. In fact, in a *solidarist* society taxes go down! ***The only efforts needed are reason and goodwill, i.e. the desire to serve justice and thereby avoid war.*** In *solidarism* there is enough for all. It will materialize abundance, moving away from scarcity-based economics, either capitalist or socialist.

### ***Sharing profit is nice but how about sharing risk?***

It is also because of *solidarism*'s inherent superiority that we insist that full-fledged democracy with all civil and political rights should stay in place and not be compromised. In fact, *solidarism* deepens and strengthens democracy by adding an economic element. Free and fair elections, political parties, freedom of speech and association etc. form an integral part of *solidarism*.

Indeed, if Cuba should choose the *solidarist* path, these freedoms and rights should be restored (the same goes for capitalist countries, by the way; they also are not free anymore). Having been subjected to a dictatorial system for so long, a transitional period in Cuba to introduce these freedoms might be required, but freedom of speech, at least, can and should be restored immediately, for without it an honest dialogue is not possible. *Solidarism* without freedom is like a horse without legs. It can't move. ***A superior system does not need state coercion to maintain itself*** apart from a proper and fair system of justice to control crime and enforce contracts.

This takes us to a critical question posed by one of our readers, who asked if the workers in a *solidarist* society would also share in the risk? The short answer is: yes, *solidarist* workers (e.g. in ESOP-companies) do indeed also share in the risk(s). Keep in mind that they are workers but at the same time partners. If their company goes bankrupt, they too lose their shares.

However, a more elaborate answer is called for. We will dedicate a separate article to it. Just for now, we remind the questioner that the U.S. taxpayer at this very moment (2009) is also sharing



in the risk of the mess caused mostly by American *banksters*, resulting in a public bail-out of gigantic proportions. And the people in third world countries are sharing in this risk with even more starvation than they are used to. Neither profits nor risks should be considered in isolation. In the final analysis all of us are responsible for both and should, therefore, share in both profits and risks. The biosphere is an interdependent system.

## *The Incredible Story of the Man, the Donkey and the Truck (4)*

Pedro was a mere peasant, a '*guajiro*'. But he was an intelligent *guajiro*. 'Own or be owned', the strange man walking along the road from *San Jose* to *Guïnes* had told him. In other words, unless you own some capital and receive an independent income therefrom, somebody else will own you, either Buck Business or the state. Either way, you are totally dependent on the one who owns you.



Admittedly, there is a difference between a slave and a wage-slave. The slave is legally owned, whereas the wage-slave is legally free. But ***economically***, the wage-slave is just as owned by his employer as the slave used to be. This is clearly illustrated by the fact that for fear of losing his job, most wage-slaves will do almost anything their employer asks, even if it means having to lie or treat others unjustly.

For a few extra bucks the executioner even used to kill the condemned with an axe! An extreme example, granted. But it proves the point. There is never any shortage of '*capataces*', snitches or CDRs in Cuba to betray anyone who may be doing something for sheer survival, but which happens to be *illegal* in a socialist state (e.g. street-vending without a license). Surely, if there was a way to remedy this situation, it would be an affront to freedom, democracy and human dignity not to do so.



### ***Who really does the work?***

‘Tell me’, asked Pedro who now was an old man. ‘I happen to have met two eminent economists in my lifetime, Adan Smith-Herrero and Carlos Marxoso. Both told me that my productivity increased whenever I let capital work for me. First I worked with a donkey, later with a truck. I always felt it was the donkey and the truck that did the extra work. But both economists told me this was not so. They assured me that *I* had become more productive. Am I stupid, or are they blind?’

‘You are quite right, Pedro. This is a blind spot in accepted economic theory’, the stranger answered. ‘Of course it is the capital that does the extra work. In fact, when you led your donkey, you were *less* productive than before. And when you drove the truck, you even sat on your butt, while the truck was slaving away without stopping, unless *you* wanted a break’.

‘But why is it so important to correct this man-centered error?’, asked Pedro. ‘Because’, answered the man, ‘you should realize that your labor can never compete with capital. The error gives rise to the false impression that by involving more capital in the production process, *you* become more important, whereas in fact you have become more *dispensable*. We are not far away from robots being able to repair and maintain other robots and machines. That would make you totally dispensable. Already at least 90% of all work is being done by capital instead of human labor. So it should be clear that *unless you own some capital, you will forever be marginalized* as the masses of people in third world countries already are’.

‘That is why’, Pedro answered, ‘we had better make peace with Big Brother to the North. For two reasons. First,

American citizens are human beings, just like us. Why would we want to kill them? Second, we should use our time and effort to build capital into our people, instead of wasting our money, intelligence and resources on a Cold War (that even might become *Hot* one day!) against an enemy who easily out-produces us economically and will therefore always have more resources than we. We should follow Costa Rica's example and dismantle our army and navy. We should continue investing in education and science and make our people economically strong. This we can do most effectively, if we choose the *solidarist* path. Of that you have convinced me'.

'As I told you: *Own or be owned* - that's the secret; that's the Norm', answered the stranger.

## *Something of Interest*

*Rickshaws* are '*bicitaxis*' in Cuba. There are thousands of them. They form part of the typical Cuban cityscape. Where they come from, we do not know. We've never seen them in other Caribbean or Latin countries. Perhaps they were blown over from socialist Vietnam, a country with which Cuba maintains close ties. Nor do we know *why* they



were introduced. Perhaps to create green jobs for Cuba's unemployed? Perhaps motorized taxis were not affordable? It does not matter. These symbols of inequality and capitalist decadence are very popular in egalitarian

Cuba. The Cubans have no qualms whatsoever about sitting comfortably in their *bicitaxis*, while a human 'beast of burden' pedals away in the hot sun for a few scanty pesos.

Now, suppose a young *enterprising* Cuban would want to buy a *bicitaxi* to squeeze out a living for himself. We presume he could go to a bank (there are banks in Cuba, but they function differently) and try to borrow the money. We were told (but have not been able to verify)

- a) that it is very hard or even impossible for the average Cuban to get a loan from a Cuban bank and
- b) that the interest rate is very high (20% or more).

For the purpose of this article it does not matter if this info is correct or not, nor whether the *bicitaxi* could perhaps be purchased from the state on credit at a (much) lower

interest rate. The objective of this article is to concentrate on the practice of charging interest itself.

### ***What is 'usury'?***

In all three world religions that originated in the Middle East (Judaism, Christianity and Islam), charging interest is frowned upon, if not unequivocally ***prohibited***.

Nevertheless, in Israel and all Christian countries the private banking system charges interest pretty much as it pleases, fully protected (even encouraged) by the state and the law. Even the view held until some 30 years ago that 'usury' means ***excessive*** interest (which used to be prohibited in Christian countries),



has mostly been abandoned. The banking system in Islamic countries struggles much more with the Islamic ban on '*riba*' (interest), but generally also finds ways around it (such as the semantic solution calling 'interest' a 'commission' or other ways). By the way, we acknowledge that some solutions found in Islamic countries are genuine.

### ***What's wrong with interest?***

But ***why*** do these religions have a problem with the institute of interest? Is it perhaps that charging interest tends to concentrate economic power in the hands of the money-lenders? Is it perhaps because interest (certainly

excessive interest) causes inflation, thereby driving up prices, whereas wages usually lag behind? If all men are created equal, is it reasonable to allow a practice that concentrates economic power in the hands of a few private banks? We know that the concentration of *political* power in the hands of a king or dictator (fascist or socialist) or even an aristocracy is undemocratic. But is the concentration of *economic* power in the hands of an ***economic*** aristocracy not equally undemocratic? Especially when it is known that the economic elite in democratic countries can and do buy politicians legally by financing their election campaigns or by high-paid lobbying efforts?

These are awkward questions that make you wonder whether the founders of the Middle Eastern religions had a point after all? If a person has put some money aside by means of hard work and frugal living, it is justifiable that he should receive a reward for the risk he (and his family) takes when lending out his savings. But if a bank could create money ***out of nothing*** - which they do constantly on a gigantic scale; read our next article -, would it then *still* be reasonable to charge interest on money so created? And, if so, what interest-rate would then be justified?

Gentle reader, don't miss the next article.

## *The Alchemical Secret of Making Gold*

Make *money*, not war! This may sound like a cheap twist of the famous flower-power slogan of the sixties: *Make love, not war*. But it is much more profound than that. Gold, in the past, was used for making money (coins etc.). So the alchemical secret of making gold was really about making money. He, who can make money, can also make war. After all, it takes money to make war. So we mean it literally: 'Make money, not war!' If you know the secret, make sure you don't use it to make war.

Now, making money in daily parlance means earning money, or making a profit. This, too, is preferable to making war. But we do not refer to this colloquialism. This article is about **creating** (new) money, i.e. creating it out of nothing. Can it be done, and, if so, **how**?

The Greek philosopher Parmenides held that '*nothing cannot give rise to something*', but he was wrong. People create many things out of nothing. They do it all the time. For instance, if you built a hut with materials gathered in the forest, you would be creating it out of nothing. For, first there was nothing; then there was a hut. Let's not quibble



now about the fact that the raw materials were there and that Parmenides meant that you couldn't create something

out of *nothing*, i.e. without any raw materials. He was wrong anyway, as this article will show.

***To create, or not to create. Is that the question?***

Now, suppose you build a solid inhabitable log-cabin, only using materials gathered in the forest, such as logs, stones, clay etc. Once it is finished (once it has been created), it will have **value**. If there is a money system in place, this value can be expressed in the local currency. When you sell it, you will have created money out of nothing.

If you're not convinced yet, then consider this. The process referred to above can also be reversed, i.e. someone pays the purchase price first and *then* you create the log-cabin. At this point it is undeniable that the builder has created money out of nothing. For there is no cabin, but already there is money.

It may seem that all this is no more than a play of words. Not so. Money **can** literally be created out of nothing. Suppose the money to build the cabin was paid by way of **credit**, i.e. a bank extended a loan by crediting the builder's bank-account. And suppose the bank was not using its own money, nor somebody else's money (for instance, the money of a client who had made a deposit at the bank). In that case something really spooky took place. Because the bank would have extended credit (a loan), which the bank itself did not have, nor held for someone else. That is really creating money out of nothing! As a matter of fact, banks in capitalist countries do this all the time. About 90% or more of all credit extended by banks is thus created.

To fuel the economy, the Cuban Central Bank could do this too. However, a few rules would have to be adhered to, otherwise things can go badly wrong. But, in principle, it

can be done. This way Cuba would have ample funds to become prosperous. And free. Consider it the logical extension of the Revolution. *Solidarism* is the third way out of poverty.



## *Dale un Cañonaso!*

A cannon-blast, a stunt, a chutzpah. These are a few of the meanings of the word '*cañonaso*', literally a 'big canon'. But the word is as versatile as the Cubans



themselves: intelligent, fast, contradictory, tricky, surprising, resourceful and inconsistent. That the word also has sexual connotations will surprise no-one.

Here are a few examples. In the bookshop at the central plaza of *Guines* a slogan on the wall in huge letters reads: '*Nosotros no le decimos al pueblo cree, le decimos lee*', by none other than Fidel Castro himself. Translation: 'We don't tell the people to believe, we tell them to read'. True, true, very true! And to make sure the people can indeed read, book prices are as low as possible, practically free. This also is a very good thing. Consistent. But the *cañonaso* is that in the bookshop you will find books only about socialism, the Revolution, Fidel Castro, El Che, José Martí, or books written by authors who support the system, or at least don't criticize it.

Of course, you are perfectly free to criticize America. A '*counter-cañonaso*' to this would be that you won't find many books on the Cuban Revolution in American bookshops either. And he who believes that CNN and the mainstream media in the U.S. are 'fair and balanced', is as blind as a bat, or Fidel Castro.

### *The only free country in the Western hemisphere*

That's Cuba, of course. Life is easy in Cuba with lots of sex, music and chess. And don't forget, there is always lots of cheap rum. You don't have to work very hard, the state looks after most things. Health care and education are free, so you don't have to save for that. True, wages are at starvation level. You just can't survive on the state's wages. But then, everyone 'solves' this by stealing a bit from the state one way or another. But this is not theft. After all, the people own the state. How can the people steal something that is already theirs? Quite a *cañonaso*!

So, yes, Cuba is free. Just don't mention the taboos: free speech, free association, free enterprise, free elections and free travel. After all, even the slave is free as long as he does what his master says. Another Cuban style *cañonaso*.

'*Las ideas son la arma esencial en la lucha de la humanidad por su propia salvación*', insists a government wall-message in *Rosafé*. Translation: 'Ideas are the essential weapon in humanity's struggle for its own salvation'. This means we don't need God. Humanity can do it by himself. Why not humanity *and* God, we ask? Why not *together*? Okay, we'll skip that.

True it is that ideas are important. We spoke for 2 hours with well-educated people we had reason to take seriously. We tried to discuss *solidarist* ideas. We never got a word in between them denouncing the 'genocidal blockade'. This they did professionally. Yet another *cañonaso*: The Revolution has the situation well under control.

## *The Engine of Solidarism*

In capitalist countries, the power to create money (out of nothing) is in the hands of private banks owned by a tiny fraction of the population. This is a recipe for the concentration of economic power in the hands of a *small economic* elite. This elite uses its means to buy political control. Barack Obama, too, was bought this way. We have high hopes of him and are elated he was elected. His election in itself was an important step forward. But we know he has little freedom of movement. Therefore, the change he has promised will be marginal, although this could still be significant. Unfortunately, Obama is not moving in the direction of economic democracy, nor suggesting the introduction of any *solidarist* principles. We do believe, however, he will clear the way for this. Another president, maybe in 2012, will flick the *solidarist* switch. But Cuba could still be the first to enlighten the world.

In Cuba the power of money creation is in the hands of the state, i.e. the Cuban Central Bank. But its potential is not realized, nor fully



utilized. It can't be, because the Cuban state does not utilize the full potential of its people. The whole of Cuba is an absolute monopoly, one large plantation, where the workers have to buy their necessities in the plantation's own shops. The State is basically the only owner and only entrepreneur, not in any way spurred on by competition, nor encouraged by the desire to make profit. This is a recipe for slow economic degeneration, which is visible everywhere. Buildings are crumbling, roads are potholed,

not to mention the moral degeneration of the people. The degeneration progresses slowly. You can hold out for quite a while, but like Cuba's '*carcasos*' (vintage cars), there comes a day the economy is beyond repair.

***The only cure for the crime of poverty is work***

It is production that counts in any economy. You have to produce to consume. In fact, the main reason why people produce (work) is to consume. This is true even for the church pastor. If he doesn't work, he will not consume. So, in order to raise the economic level of the Cuban people, which they all want, Cuba has to *produce* more. This is not rocket science. To increase production and thereby the economic level of the people, production must take place as effectively and efficiently as possible, at the lowest possible prices to ensure products will be affordable. No amount of fiery speeches by Raul or Fidel Castro will make this happen.

It *will* happen, however,

a) if the Cuban people (not the state, nor a tiny elite, but every individual citizen) ***owns*** a larger or smaller part of Cuba's 'means of production', i.e. owns stocks and shares in the companies that produce the goods and services society needs (companies such as farms, factories, shops, hotels etc.) and

b) if these privately owned ESOP-companies have to compete with each other and are free to make a profit that will be distributed to employees working there. We explained earlier what 'ESOP' means (Employee Stock Ownership Plan) and what ESOP-companies are.

The Cuban Central Bank can easily finance the transfer of all state-held businesses to a large number of ESOP-companies to be held by workers and farmers who work

there. The bank can do so by extending the required credit to these companies, thus enabling them to pay an equitable purchase price to the Cuban state.

However, in accordance with the ESOP tradition, the workers and farmers would ***not*** have to use their



private savings to pay for their shares (if they have any!). These can be paid for with dividends their shareholding entitles them to. In other words, the purchase price will be generated by these ESOP-companies themselves. This, too, is not rocket science. The next article will explain the rules to be adhered to in order to create money safely.

## *A Safe Money-Making Machine*

What private banks can do, the Cuban Central Bank can do better. With the added advantage that, if done wisely, *the people* will benefit. Not the state, nor a tiny elite, but the people, i.e. every individual man, woman and child. We refer to the wonderful power of money creation *out of nothing*. Earlier we explained how this is done. Just like the private banks in capitalist countries do all the time, the Cuban Central Bank can extend credit (*'procreative credit'*) *without* using its own money, nor money that was deposited by third parties. Such 'non-backed' or 'pure' credit constitutes *new* money that the Cuban Central Bank can create at will.

In principle, the creation of new money is *limitless*, the dream of every school-boy: a machine that makes as much money as you want by simply flicking a switch. However, in a finite world nothing can be limitless, although it is difficult to indicate where the limits are, as they tend to recede, like the limits of human knowledge.



There are, however, a number of strict rules that have to be adhered to, otherwise serious accidents will happen. For instance, one can't just let the money-presses roll indiscriminately. This would cause hyper-inflation, as happened in Germany before World War II. Compare money-creation to electricity. It's a wonderful power, but unless it is properly and safely used, it can be lethal. In short: Obey the law!

***Is there never a limit to rules? No, otherwise lawyers would be redundant!***

The basic rules for safe money creation by the Central Bank are:

- 1) Only ***productive*** investments should be financed with newly created money (*procreative credit*), i.e. investments that will produce goods and/or services generating enough profit to be able to pay back the loan within a relatively short period of time and which will thereafter continue to generate goods, services and profit for a considerable period of time<sup>3</sup>.
- 2) Newly created money should never be used to finance ***consumptive*** expenses. This should be left to the private sector, either banks or other businesses (e.g. by means of hire purchase contracts).
- 3) All financing by newly created money (*procreative credit*) must be paid back in full.
- 4) All new money loans must be secured by 'capital credit insurance' and should be extended at 0% interest. In this *solidarism* sides with those sincere Muslims who have always held that '*riba*' (interest) is against natural law.
- 5) Only ESOP- and similar companies should be financed with newly created money (*procreative credit*).
- 6) Only green or environmentally neutral investments should be financed with newly created money (*procreative credit*).

Blind rules are as unconvincing as Cuba's outdated slogans. We owe the reader an explanation. This will be done as we go along. A few words here about Rule 2. The need to adhere to this rule (in conjunction with Rule 1) was

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<sup>3</sup> All 'newly created money' loans must be 'asset-backed', i.e. they must be used to buy real (tangible or intangible) productive assets, which are to be used as security until the date of full redemption.

demonstrated by Germany's experiment with financing its deficits with 'printing press money', which is one way of creating money out of nothing. This flooded the market with lots of money that was used indiscriminately, mostly for consumptive purposes. This caused a severe imbalance between the money supply and available goods. Such imbalance causes inflation (too much money chasing too few goods), accelerated by the fact that consumer goods disappear once they have been consumed. This increases the imbalance, causing hyper-inflation.

No doubt there were other causes that contributed to the inflationary crisis in Germany at the time, but the above explanation serves to make the point that financing of consump-



tive goods will tend to cause an imbalance between money and goods, which causes inflation when there is too much money chasing too few goods. Productive investments on the other hand *produce* goods so that the opposite imbalance can occur (with deflation as a result). There are, however, effective ways to control this opposite imbalance, which we hope to have occasion to explain elsewhere.

### ***Speculation, scalping, money-changing***

There is no space in this book to comment on the incredible amount of speculative transactions that take place daily around the globe, especially in capitalist countries. It is mind-boggling. It is likely that more profits are being made nowadays by speculation than by the honest production of



goods and services. Speculation on this scale cannot but have a detrimental effect on the economy. Modern-day speculation is an explosion of what the biblical ‘money-changers’ used to engage in. Prophets (both Jesus and Mohamed) warned against it.

Now, we do not say ‘*Jesus said it, therefore it is wrong*’. Rather we say: ‘*Various prophets warned against it. What did they mean? Do they have a point? And, if so, what is the point?*’ It appears *unnatural* to make a living by speculating. It is making money by shoving money around. Speculation does not produce anything. It is like ‘*trading in wind*’.

Perhaps one could say that honest work is to speculation as marriage is to prostitution. A quick fix, without any responsibility. But perhaps this comparison is faulty. At any rate, apart from economic crises the present disease of massive global speculation is producing absolutely nothing and therefore cannot be of any practical use to people of flesh and blood, who need food, shelter and health care. The only possible winners in this speculative game are the speculators! While re-thinking our economic model, the massive speculation, scalping and money-changing that is going on nowadays should be re-thought as well.

## *All men are created equal*

José Martí somehow believed that Latinos (i.e. Latin-Americans) are superior to Europeans and North Americans, who he regarded as replanted (inferior) Europeans. This is curious for a man of his stature. It plays an invisible role in the stupid Cuba - U.S. conflict. It reminds one of Brazilian president Lula's recent remark that it is the blue-eyed Europeans/Americans who are to blame for the mess the world is in right now, with Latinos being the innocent victims, of course. Hugo Chavez doesn't even use the word 'Americans' anymore but always calls them 'Yankees' (in a funny accent), not for complimentary reasons. All this is childish and unhelpful. In fact, it is done deliberately to sow hatred and is thus a possible cause of war.

However, at Chavez's insistence, we'll join the game for a while. Let's get history straight, then, Hugo. Both Americans and Latinos had equal chances when they came to the New World. In fact, the Latinos had a head start; they came first. Both came with *nothing* and



had to build their countries from scratch with what they found. Of Europeans it can be said that *they* exploited their colonies and amassed riches that way. This accusation cannot be leveled at the North Americans.

Both Americans and Latinos had to fight for their independence, which did not come easily. Both were involved in the slave-trade and used slaves for cheap labor.

Both were equally cruel to the Amerindians; Latinos perhaps even more so, but let's not quibble about levels of cruelty; the game is childish enough already. Now, after 400 years, any honest person must admit that the U.S. and Canada made more of it than Latin America. Are you happy now, Hugo Chavez?

### ***Blame-game and superiority-complex***

We joined Chavez's game to demonstrate its stupidity. Whenever a politician or writer plays the blame-game or makes superiority claims, beware. Ever heard of Hitler? To maintain hostilities or hateful rhetoric is to play one of these games. Cuba should look deep into its soul and ask itself if José Martí was right in this respect? The U.S., too, should think deeply. In fact, Obama offered new relations. Why not take him up on that? This is the right moment for Cuba to move forward and adopt *solidarism*. It's a chance to get ahead.



We acknowledge that among people of all human races and nations there are differing levels of development, spiritually, intellectually and physically. Men and women are different, complementary, there is no doubt about that. A mentally retarded person is not equal to a genius. So, in this sense equality does not exist. *Solidarism* does not insist on any unrealistic understanding of equality. There will always be rich and poor people. There are rich and poor in Cuba even now. But *solidarist* mechanisms can be put in place that do not violate liberty and that will at the same time guarantee a structural diffusion of capital and thereby a just distribution

of wealth, while gradually and naturally leveling out the extremes of riches and poverty (neither of which are good for the economy and thus prejudice the common good).

We hold that all men are created equal, i.e. equal in dignity (created in the image of God with full potential in each individual to reach the highest), equal before the law and entitled to equal (human) rights and opportunities. It is not



Latinos that are superior (although in Roman times they were ahead), nor Europeans/Americans (although now they are ahead), nor any other race, religion or group of human beings. There was a time when the Chinese were ahead. To believe in the superiority of a nation, class, race, group or religion is evidence of a superiority complex. That is a mental disorder, as is the inferiority (or '*eternal victim*') complex, whose sufferers are particularly fond of the blame-game.

*Solidarism* is beyond all that. It holds out a promise to both capitalist and socialist countries. However, Cuba is in a unique position to adopt it now, precisely because of its Revolution. The legacy of the Revolution makes a swift transition and transformation easier than in capitalist countries, whereas solidarity as a lifestyle has a long tradition in Cuba and was strengthened by the Revolution. This solidarity is a necessary requirement to make *solidarism* work. Cuba has it.

## ***Turning Morbidity into a Homerun***

The fatal defect of capitalism is its undemocratic and unjust concentration of economic power and capital ownership. This is structurally perpetuated, causing a gap between rich and poor that continually widens, creating a great mass of poor people. At least three built-in mechanisms cause this: interest, inflation and what Louis Kelso called 'morbid capital'. Interest and inflation will be dealt with later. In this article something about 'morbid capital' in relation to Rule 5 for safe money creation that states: 'Only ESOP-companies should be financed with newly created money (*procreative credit*) by the (Cuban) Central Bank'.

Morbidity capital stifles consumption and thereby slows down economic growth. Here's what happens. People who earn more money than they can reasonably consume do one of two things: either save at interest, or invest. Approx. 2 to 5% of the populations in capitalist countries fall within this category. Socialist countries, such as Cuba, do not suffer from this defect. Their under-consumption and lack of economic growth is caused by other defects.

Suppose somebody earns \$100 million a year. This is high but not exaggeratedly exceptional among the rich elite in capitalist countries. Suppose further, that he/she does not consume more than \$10 million (this figure is an estimate, but research has shown that this gives a fair impression; probably consumption would, in reality, be less). Now, what happens with the remaining \$90 million? Usually this is invested in even more income-generating capital (e.g. stocks, bonds, real estate etc.). These investments in the following year result in even more income and thus even more 'morbidity capital', i.e. money that is never consumed. This is how capital is concentrated and the economy stifled.

Thus the concentration of capital becomes *abusive*, for it runs counter to the common good, i.e. the economy, which is detrimental even to the rich. We do not mention the fact now that the rich always have to pay high taxes and loads of extra money for police, security and armies to ward off the mass of poor people who are always out to steal from them for sheer survival. Even Cuba faces this problem with its starvation level wages. This problem can only be solved by raising people's income. Marx saw the problem and tried to remedy it, but missed the ball. Louis Kelso, however, hit a homerun (see below).

### ***Win-win for rich and poor***

The concentration of morbid capital is both undemocratic and detrimental to all, even to the rich themselves. After all, poverty and a sluggish economy are not in their interest either. Automaker Henry Ford understood quite well that he had to pay his workers a higher wage, otherwise they couldn't buy his cars. So, if more of the morbid capital was ***consumed*** instead of re-invested, demand for goods and services would rise, stimulating economic growth. It is known that if consumption goes up, the economy accelerates.



Now, if there were a way to *diffuse* capital ownership, the income from capital would also be diffused, i.e. spread among a large percentage of the population, preferably 100%. And this is in fact possible by applying *solidarist* financial instruments. Diffused capital ownership would

indirectly and gradually evaporate morbid capital, whereas small capital owners would consume all or most of their income from capital. Such increased consumption would cause a kind of multiplier effect resulting in robust economic growth, benefiting all, including the rich.

***All our readers are sharp***

Now, those sharp readers who raise the question how new investments would be financed, if there were no morbid capital available for this purpose, should read our earlier articles on money creation. Money for productive investments can always be created by the Central Bank. This source is virtually limitless. ***There is no need for savings, nor for morbid capital to invest.***



This is where Kelso hit his homerun! In fact, a ***triple*** homerun. Diffusion of capital ownership will stimulate consumption (1<sup>st</sup> homerun), investment can be financed by money creation (2<sup>nd</sup> homerun) and the Central Bank can loan at 0% (3<sup>rd</sup> homerun). As said, *solidarism* is about abundance, not scarcity. For our readers of faith, this (diffusion of capital ownership) is the secret of the miraculous multiplication of the loaves and fishes.

## *A Mortal Fear*

In Holland they serve a drink called a '*lichte angst*', a '*slight fear*'. In Cuba there is *tremendous* fear to speak truth to authority. *Solidarism* also has a fear, a *mortal* fear, namely that the double digit worldwide growth it will unleash, will cause so much pollution, that we'll all soon choke to death. That is why Rule 6 of safe money creation by the Central Bank reads: 'Only green or environmentally neutral investments should be financed with newly created money (*procreative credit*)'. ***We have no choice but to go green.***

*Solidarism* also has a mortal fear of *interest*. For 2 reasons: 1) it concentrates capital and thus economic power in the hands of a tiny elite, and 2) it causes inflation. Let's examine this more closely.



The average interest-rate on a mortgage-loan to buy or build a home in capitalist countries is between 6 - 10%. What this boils down to is that at the end of the mortgage period of say 25 to 30 years, the borrower will have paid back 2.5 to 3 times the amount borrowed. This means he will have paid for 2.5 to 3 houses, instead of just the *one* he bought or built. Two houses 'disappear into nothing', so to speak. This 'nothing' is the bank, of course. The bank always has the last drink!

So, it's as clear as Cuba's '*Crystal*' beer how interest concentrates economic power in the hands of lenders (mostly banks), whereas the credit extended was created 'out of nothing' in the first place! Most credit (at least 90%) extended by banks is not their own, nor held for others (e.g.



for clients who hold savings accounts with the bank). Most credit is created *out of nothing* by pressing a few computer-keys. So the bank creates non-existing money first and then makes its borrowers create money a second time by charging them interest. Isn't interest interesting?



Now, when the owner sells his house, he will try to recover his interest loss, of course. If the market factor is ignored, his selling price will be approx. 3 times the amount he originally borrowed plus a profit, if he can. This makes it clear that the interest charged has an inflationary effect.

And inflation in and of itself again contributes to the concentration of capital in the hands of the elite of capital owners. For businesses always pass inflation on to the consumer, i.e. that mass of have-not wage-slaves who do not own any capital. This happens in socialist Cuba too, which is one of the reasons why Cuba is fighting a losing battle, unless it adopts *solidarism*. For the wages the Cuban state pays - already at starvation level - will continue to erode due to *outside* forces Cuba cannot control, such as interest in capitalist countries where Cuba has to buy food and other products it cannot produce at home. So one can easily see why *solidarism* fears interest and why Jesus and Mohammed were right after all.

What the Cuban Central Bank could do to solve (or avoid) the problem of interest - once *solidarism* has been adopted - will be explained in the next article. By the way, ***there is mortal fear in the U.S.A. that Cuba will in fact adopt solidarism!***

## *Cuba Leading the World*

*'It's coming to America first', sings Leonard Cohen, 'the cradle of the best and of the worst'. He is referring to democracy; it's democracy that is coming. 'It's here they've got the range*



*and the machinery for change; and it's here they've got the spiritual thirst'. But what part of America is Cohen referring to? In the song he's referring to the U.S.A. and prophets are always right, of course. Nevertheless, our bet remains on Cuba. **Economic** democracy will come to Cuba first (with political democracy in its wake). The U.S.A. will follow.*

Along the road from the town of *Guïnes* to *San Nicolas*, a government wall-message reads: *'El sentido del momento historico es cambiar todo lo que debe ser cambiado'*. Translation: 'The meaning of the historic moment is to change all that needs to be changed'.



Amen! Then let's first change the institute of interest. Let's change it so that productive investments will no longer be burdened by it, provided the borrower is an ESOP or similar company (*cf.* Rules 1, 4 and 5 for safe money creation by the Central Bank). Cuba can lead the world in this, if its government still has enough spiritual thirst for real revolutionary change.

### ***What's a bet without risk?***

When a bank fixes its interest-rate, basically three factors are taken into account:

- 1) The default risk;
- 2) Overhead and interest expenses;
- 3) Profit.

Of course, the default risk is always there. The borrower may fail to pay back. He may die or, if a company, may go bankrupt. This risk is covered as much as possible by requiring security (collateral) for every loan, such as the retention of property, a mortgage or any other form of security. This in itself is prudent and quite legitimate. But this kind of security does not always cover the entire risk. Normally a residual risk remains.

Now, again, it was Louis Kelso's genius to see that the *residual* risk can be calculated and then ***insured***, just like any other risk can be insured. He called it 'capital credit insurance', but it might as well be called '(residual) default risk insurance'. So, instead of paying interest, the borrower can pay an insurance premium to the Central Bank to cover the residual default risk.

Now, this is not semantics. ***Insurance is not interest***. In practice the premium would be no more than 2%, perhaps even as low as 0.5%. At any rate, as low as possible, just enough to cover the risk. For it would be ***unjust*** for the Central Bank to pass this risk on to the taxpayer, as happens in the U.S.A. right now (2009) with the bank bail-outs.

Kelso further noted that the Central Bank of any country does not have to make a profit, as it is held by the state and maintained by the taxpayer. Overhead expenses are also

paid by the state, whereas the Central Bank in principle does not have any interest expenses, as its core function is **not** to borrow money in order to lend it out.

So, from the above it can be concluded that Kelso did suggest that there is a place for certain state-held (collective) institutions in a solidarist society. The Central Bank could be an example, although it could be held by all citizens individually as well. Either way, the Cuban Central Bank can play a key-role in Cuba's transition and transformation.

***The vision is a prosperous, peaceful and free Cuba, leading the world in financial/ economic development.*** And all this in no more than 25 years. Again we say: 'You can do it, Cuba!'



*This is not prosperity.  
Along the road from Santa Fe to  
Nueva Paz 2 broken bridges.*

## *To Speak Proper Spanish*

'¡No tengo ni cojones!', the man said. 'Para decirlo en buen Castellano', he added. Meaning: 'I haven't even got balls! To put it in proper Spanish!' The man expressed in crude but clear language what the real double problem in Cuba is: 1) the people have to survive on starvation wages paid by the state and 2) the double monetary system is privileging few, whereas the masses have to swallow the gross inequality this gives rise to. It also illustrates a lack of courage by the Cuban people to demand change. Once again we suggest a black ribbon campaign, peaceful but effective. But who would coordinate it? And what for? If it were to introduce Russian KGB-democracy, it would not be worth it. Cuba really does need the '*tercera posición*', i.e. the Just Third Way.

The double monetary system requires some explanation. In Cuba two currencies circulate side by side, the Cuban peso (*Moneda Nacional*; MN) and the Cuban Convertible peso (CUC), which can be converted into foreign currencies. The exchange rate is 25 MN to 1 CUC. Wages are paid in Cuban pesos (average 500 to 600 pesos), which is roughly 20 to 22 CUC (approx. US\$ 20). The CUC is used mostly in the tourist industry, created to obtain foreign currency reserves for international trade.

### *Dogs, goats and Trojan horses*

Along the road to the town of *San Nicolas*, a boy told us he bred dogs and goats. He tried to sell us a puppy. This is his way to beat the



system. Because dogs and goats are not property of the state, breeding and selling them is a way to make some money. Some of the goats he intended to train for the goat-carts, which entertain the children of *Guïnes* at the central plaza on Sundays. Talk about free enterprise!

We also came across a few Trojan horses. Unfortunately, these horses have been infiltrated by counter Trojan horses, which make their effectiveness dubious. It doesn't matter. What we are proposing is both a way out that will bring peace and a way forward for the Cuban people, if they have ears to hear. *Solidarism* will make all Trojan horses redundant.

On 14 November 2009 we were told to report to the police in *Guïnes*. We were questioned about what we were doing. We were treated courteously. It turned out we were in violation of some trifle not worth mentioning. This reminds us of the story of the man who was arrested for peeing alongside the road in *Sto. Domingo* during the time dictator *Trujillo* was in power and laws were strictly enforced. The man



spent a few days in jail and was then fined 5.75 pesos. He gave them 6 pesos and told them to keep the change, because he had farted too!

## ***Love, Agape and Solidarity***

Speaking through the character Abdala, José Martí, the *auctor intellectualis* of the Cuban Revolution, explains to his mother what he believes to be 'patriotism', a word the Bush-administration was very fond of using too. Martí describes it as a kind of love:

*'El amor, madre, a la patria  
No es el amor ridículo a la tierra.  
Ni a la yerba que pisan nuestras plantas;  
Es el odio invencible a quien la oprime,  
Es el rencor eterno a quien la ataca;'*

Patriotism then, according to Martí, is a kind of love that is invincible hatred against the oppressor and eternal rancor against whoever should attack the homeland. Fidel Castro and socialists in general use the word 'solidarity' to refer to the same kind of emotion, i.e. a unifying hatred against the oppressor (defenders of capitalism) and eternal rancor against anyone who would question the wisdom or practical functioning of socialist ideology. This hatred is strong and gives men courage and sharp insight. We do not underestimate it. Moreover, those overcome by it sincerely believe it is a kind of love. And in a sense it is.

### ***Fatal error***

People like Martí, Bush and Castro are like the apostle Peter, ready to draw the sword. Peter cut off one of the Roman soldiers' ears. Could this symbolically be the ear of those who do not *want* to hear? Interesting thought. But back to the story. Jesus told Peter: 'No!' and replaced the ear, healing the wound. There is a better way, a peaceful

way. It takes more time, but will in the end give better results.

Martin Luther King was not ready to draw his sword. He, too, felt the strong emotion of love he referred to as '*agape*' on many occasions. This Greek word refers specifically to love for the community, the common good, with willingness to die - not to kill - in order to remedy an unjust situation in the community. It is this kind of peace-seeking love (*agape*) the word *solidarism*, as used by us, refers to. Gandhi championed it, Martin Luther King and Lech Walesa practiced it.

### ***Violence is never glorious***

Now, the non-violent approach (*agape*) can also turn violent, *in reverse* so to speak. This is the case when the hunger strike is resorted to or when Buddhist monks burn themselves alive. The flaw in these auto-destructive acts is the same kind of fatal error as the violent interpretation of patriotism or solidarity as understood by Martí, Fidel Castro and George Bush. Because this, too, is a kind of violence, i.e. violence against oneself.

Violence is never 'glorious', as the Cuban national anthem wrongly suggests. We acknowledge that sometimes it is unavoidable. However, it should always be the very last resort, employed only when circumstances clearly demand it. And when it is resorted to - because there is absolutely no other way out and the injustice is unbearable -, it is done with disgust and regret, certainly not with pride. Although





sometimes it may be justified and therefore forgivable, it is never morally right. It is contrary to Jesus' example. Now, 50 years after the Cuban Revolution, its 'heroes' are still beating their own drums. Draw your own conclusions.

## *Tiñosas*

'*Tiñosas*' are 'vultures' in Cuban Spanish. In the countryside there are many of them. The word *tiñosa* acknowledges their beauty. '*Tiñosas hermosas*' one could say. But it is a morbid beauty, if such a thing exists. The word '*caruña*', used in *Sto Domingo*, expresses their disgusting morbidity much better.

Now, they are creatures of God, of course, and serve a useful purpose. The morbid flavor is a human invention, which only proves our ignorance. However, this is the way we *feel*. And our feelings – emotions –, are a reality that cannot be ignored. But they should always be carefully scrutinized for their validity. After all, solidarity in the sense of *agape*, too, is but an emotion. Yet this is a valid emotion, vital in any community.



But *tiñosas* have not a grain of solidarity in them. Like most animals, they look after their offspring, but that's it. No love, not even consideration, for each other. The strongest eats most. It is not particularly complimentary, then, to be compared to a vulture. We don't know who coined the



term 'vulture-capitalism', but it is likely to have been a socialist intending to make an accusatory point. A point that is, however, only one-third true. The other two-thirds are ignorance and a deliberate false play on negative emotion.

***Solidarism is a free market system, respecting the profit principle***

Now, we can and should criticize capitalism for valid reasons. As explained earlier, it concentrates economic power, leaves the masses impoverished and causes economic crisis after crisis. Even war. So there is reason to characterize it by comparison with vultures and casinos. Part of capitalism is like that. But not all. If the people and companies in capitalist countries were nothing but vultures and casino-players with no solidarity and serious intent at all, there would be no civilization. There would be no art, no museums, no schools, no hospitals, no public utilities and no organized state. And there would not be the material success that the USA, for instance, was able to produce in a short period of time. That is why *solidarism*, despite all negative emotional rhetoric by socialists, does not reject all capitalism stands for. Some elements of capitalism are good and useful. Others are unavoidable, although emotionally we might feel dislike.

Among such useful elements are the free market and the profit principle. Until something better is invented that works, the free market is the best way to fix prices and allow for reasonable profit. Perhaps prices for raw materials should be fixed by an international body to give the economy a stable basis, but this is by no means a generally accepted *solidarist* point of view. In principle, the free market is its basis, but as nothing is absolute, deviations are thinkable and should be debated.

*Solidarism* accepts as unavoidable the reality of life, particularly that at some point it ends. When seeing the 'tiñosas' circling in the sky, we can tell them: 'Not yet!', but death is part of life. Companies that are weak, outdated and unprofitable must die, i.e. go bankrupt. And then the vultures come to feast on the carcass. This is Nature's way



of cleaning up and ensuring progress. Man cannot change that, no matter how hard socialism tries. But we can co-operate with Nature and restructure the economy in such a way that life becomes

easier for everyone and society more just. And this is what *solidarism* promises to do.

This rather long introduction serves to explain why only ***productive investments*** by *ESOPs* or similar companies should be financed by the Cuban Central Bank with newly created money, which is aptly called '*procreative credit*'. (cf. Rules 1 and 5 for safe money creation). Only viable *productive investments* should be financed, because only those are capable of being repaid with the profits generated by them. And only those will thereafter continue to produce goods and services for the community, thus raising the general economic level of society.

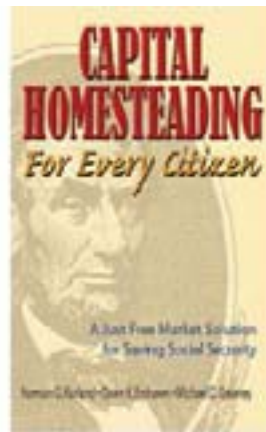
And only *ESOPs* or similar companies, because only those create economic democracy and a degree of equality and prosperity that is justifiable and acceptable to human nature. And only those companies will strengthen political democracy and reverse the dangerous trend toward fascism and war, which is inherent in traditional ('vulture') capitalism. And only *ESOP* companies diffuse economic power which stimulates the economy in ways traditional capitalism never did and never can.

*Solidarism* respects freedom. Any company wishing to reject its basic principle of participation for whatever reason, should be free to do so. But as such companies tend to concentrate economic power, create privilege and lead to war or to a police state (in short, are *undemocratic*), there is no sane reason for a democratic society (via its Central Bank) to support or stimulate them. Crudely put, vultures should not be helped by the ones they exploit. That would be insane.

## *The Art of Choosing the Wrong Book-title*

Louis Kelso goofed with his first book-title: *Capitalist Manifesto*. And he rubbed it in with his second book: *The New Capitalists*. We said it before, but it bears repeating. The system devised by Kelso and Adler is neither capitalism, nor socialism. It is something entirely new and unique: a third way or third system, giving its own answers to all societal questions from the economy to politics to sociology to education, health care and everything else. It is complete, as is capitalism and socialism. But it adds one vital criterion: *a spiritual basis*. We have chosen the word 'solidarism' to denote it and maintain the phrase 'the Just Third Way' to succinctly describe it.

Now, solidarists seem to be masters in the art of choosing wrong book-titles. Another important *solidarist* work is entitled: *Capital Homesteading for every citizen*, written by Norman Kurland. What is wrong about this title is that you have to read the book first before you can understand the title. It should be the other way



around. A title should invite to read. *Capital Homesteading* doesn't. Nevertheless, this little book has much to offer. It describes and elaborates upon one of Kelso's key financial instruments designed to structurally build capital (capital ownership) into every citizen, i.e. every man, woman and child from birth to death.

## ***Building capital into people***

*Solidarism* does not attack nor exclude the rich. Strange as it may sound, they are people too. What we propose to do is not taking from the rich (theft is theft, no matter how you twist it), but raise the prosperity of the poor. By sharing (accelerated) growth, the gap between rich and poor can gradually and naturally be narrowed, although it will never be closed. One of the financial instruments devised to do this is 'capital homesteading', the building of a capital estate into people, i.e. an estate to be owned by every individual citizen.

Here's how it works. Every Cuban citizen, rich or poor, from birth to death, will receive a loan yearly from the Cuban Central Bank on his private 'capital homestead account' held at a private bank. The amount is related to the estimated growth potential of the economy for the coming year, based on figures of previous years. For the USA the amount has been calculated at US\$ 7,000.- per year, but for Cuba this would be (much) lower for its economy is in bad shape. But as *solidarism* will quickly generate double-digit growth (helped along by a mass of Foreign Direct Investment as soon as Cuba opens up), the amount will rise quickly to a sizable annual sum. And will continue to rise.

Now, citizens are not free to spend these annual loans as they please. Certainly not on consumptive products (remember Germany?). The loans have to be used to buy stocks and shares in solid companies that will use the money for approved productive investments only. The Cuban Central Bank will list eligible companies. These companies may or may not be listed at the Stock Market. At present there is no Stock Market in Cuba but there will be, once *solidarism* has been embraced.

The stocks and shares bought by every citizen - financed by the Central Bank with newly created money (*procreative credit*) -, will generate dividends. Again citizens are not free to spend these dividends as they please. They have to be used first to pay back the annual loans, which may take anywhere between 5 to 10 years (sometimes longer). But as soon as an annual loan has been paid off, the owner of the then fully paid shares is free to spend all future dividends as he/she pleases. The owner is also then free to cash out and sell the shares, if he or she believes that to be prudent.

In this way every citizen will gradually build his/her own capital estate, guaranteeing a second income from capital to supplement his/her income from labor. By the time a child turns 18, he/she will already own a fully paid income generating capital estate ('capital homestead') equal to approx. 8 times the annual loan amount. In the USA that would amount to approx. US\$ 56,000.-. This capital would provide him with an annual extra income of approx. US\$ 5,600.-. And this will continue to rise every year for as long as the owner lives. And there is little doubt that the money would be spent on consumer goods and services, thus fuelling the economy. For most people (95%) have many unmet needs and wants and would therefore save little.

### ***Too good to be true?***

What this instrument basically does is channel new money created by the Central Bank through its citizens, so that they gradually become capital owners. The same thing happens now in all capitalist countries, except that only the rich can receive the newly created money from *private* banks, for only they can provide the required collateral (either privately or via the companies they own) for large productive investments. So, if anyone tells you this cannot be done, ask him how money is created now and for the benefit of whom? He'll soon be silent.



And he should be triply silent when you explain that the private banks add interest on the created new money, thus making sure they are not left out, but at the same time stifling the economy and forcing everybody into a never ending rat race to stay abreast of inflation. And anyway - you guessed it -, the banks are owned by the same rich people (2 to 5% of the population)<sup>4</sup> who can provide collateral to obtain the loans they use for further productive investments, thereby forever adding to their capital estates. You see now how the poor are effectively excluded from capital ownership in capitalism? You see now that you should *own to avoid being owned*"?



But socialism is not the answer. Because capitalism can and will use the same capital concentrating methods internationally (i.e. interest, inflation, morbid capital, collateral

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<sup>4</sup> Cf. Walter P. Reuther's (then president of the United Auto Workers union) testimony in 1967. Essentially nothing has changed since then: "Profit sharing in the form of stock distributions to workers would help to democratize the ownership of America's vast corporate wealth which is today appallingly undemocratic and unhealthy. (...) Despite all the talk of a "people's capitalism" in the United States, little more than one percent of all consumer units owned approximately 70 percent of all such stock. Fewer than 8 percent of all consumer units owned approximately 97 percent—which means, conversely, that the total direct ownership interest of more than 92 percent of America's consumer units in the corporation-operated productive wealth of this country was approximately 3 percent. If workers had definite assurance of equitable shares in the profits of the corporations that employ them, they would see less need to seek an equitable balance between their gains and soaring profits through augmented increases in basic wage rates. This would be a desirable result from the standpoint of stabilization policy because profit sharing does not increase costs. Since profits are a residual, after all costs have been met, and since their size is not determinable until after customers have paid the prices charged for the firm's products, profit sharing [through wider share ownership] cannot be said to have any inflationary impact on costs and prices."

[Testimony of Walter P Reuther, President, UAW, before the Joint Economic Committee of Congress, February 20, 1967; Extracted from Page 774 of Part 4, /Hearings, The 1967 Economic Report of the President/, Joint Economic Committee, Nineteenth Congress, First Session.]

requirement and other methods) to slowly strangle Cuba in the same way Russia was strangled. But Russia then opted for KGB-democracy and vulture-capitalism, brutal and merciless. Cuba does not have to follow this example. There is a better way.

## *San Nicolas*

The bishop who loved giving presents to children, known as Santa Claus in the English-speaking world. On the 31st day of our march we reached the outskirts of the Cuban town named after him. Now, San Nicolas does not discriminate. He gives to all children, rich and poor, black and white, Christian, Muslim, Jewish, Hindu and Buddhist.



Kelso did not discriminate either. *Capital Homesteading* is for every citizen, including the rich. But there is one crucial difference: Kelso did not **give**. All stocks and shares made available to the people via Kelsonian instruments have to be **bought** and paid for in full. And the purchase price has to be **worked** for.

In the real world there is no free lunch. Even Cuba now realizes this. The government is in the process of scrapping its free lunch for workers program. The only thing Kelso is 'giving away' is **credit**, i.e. the stocks and shares made available via his financial instruments may be bought *on credit* and then paid for with dividends generated by those stocks and shares. The workers or other beneficiaries of the Kelsonian instruments don't have to



use their personal hard-earned savings from labor (if they have any!) to pay up. But every last penny has to be paid. And workers will have to work hard to make sure the company will generate enough dividends to pay up, for only thereafter will dividends start flowing directly to them.

### ***By the sweat of thy brow ...***

Now, this system has been fine-tuned a bit, so that dividends can start flowing *partially* to workers even before full payment has been effected. This is done in accordance with a gliding scale. For instance, when 20% has been paid up, 20% of dividends start flowing to the workers etc. But the main point here is that in the Kelsonian system, nothing is free. All capital estates that will be built into the people, have to be paid for and worked for.

Work - it is inescapable -, remains the ultimate engine, also in Kelsonomics. *Solidarism* cannot and does not make toil disappear. What can be done, however, as the Kelsonian measures take effect, is to *reduce* the amount of toil by making full use of technology, as will be explained in our next article. But *solidarism*, too, is based on work. And this has an added value. For, without work, as Voltaire stressed, people turn to vice and crime. And who wants that?

### ***Dilution***

Some critics of Kelsonomics have pointed out that the Kelsonian instruments will dilute the value of capital estates of existing capital owners. They point out that it's all very nice that they are not excluded, but when the workers buy shares in ESOP-companies, for instance, and new shares are issued to them, the existing owners' shareholdings will dilute, i.e. diminish in relative size. This is true. Application of the Kelsonian instruments will

gradually dilute the shareholdings of existing capital owners. But this does not mean they will be duped, i.e. not if considered in relation to what they receive in return.

First of all, a smaller percentage in a bigger company does not necessarily mean less value: Owning 100% in a company worth US\$ 100,000.- is less than owning 20% in a company worth US\$ 1,000,000.-.

Secondly, the existing owners will share in a more just, more peaceful and less envious society. They don't have to spend large amounts of money on security, police and the military to defend their capital estates against masses of poor people, who often don't have any other alternative but to steal. In Cuba they steal from the state for the same reason. Now, stealing is wrong and we don't propagate it. We just state an obvious truth.

*Solidarism* does not want to pick a fight with the rich. That's been tried before and failed. But, more importantly, we promote peace. We suggest a way forward for Cuba (and the world) that moves away from continued tension between rich and poor. That's why the Kelsonian instruments are so important and why they have to be applied without any discrimination against the rich.

### ***Lower taxes***

And guess what happens when the masses obtain their own capital estate and start receiving dividends? They will want to pay lower taxes! And when the majority want this, it will happen. This again will benefit the rich, even more so than the poor. So,



on aggregate, *solidarism* is not a bad deal for the rich either.

And there is one more point. Most rich people, the present real capitalists, are just as unaware of the iniquities inherent in capitalism as this book's poor readers. Once the rich understand, most will not resist a transition to *solidarism*. After all, they are people too. They want people to be happy, too, in Cuba just as much as anywhere else.

## *Technology, Friend or Foe?*

'I hate you!', cried the man, beating a bulldozer with a spade. 'You stole my job! And of a thousand of my companions!' The emotion is understandable, but you might as well tell gravity to go hang. ***Without technology, humanity would not survive one month.*** Like it, or hate it, we can't do without it. Technology is the brainchild of humanity and therefore not unnatural. But it must ***assist*** Nature, not try to destroy it. And, yes, even technology should assist justice, not ignore it. Science or technology without ethics and justice is a social sin.

This is true for economics as well. We have read an economic study (devoid of ethics, strictly 'scientific') concluding that illegal immigration is good for the economy. It keeps labor costs down, especially when a few dramatic well-publicized '*razzias*' are held, rounding up a few 'illegal aliens' from time to time. Not too many, of course. We don't want them all to flee. We need their cheap labor! Just enough to keep the fear factor high. And, of course, they must be kept illegal (no amnesty!), so that they'll work for almost nothing. This will force labor prices for legal workers down.

Does not the word '*razzia*' already remind you of Dr. Mengele? The person who published that study might as well have recommended setting up concentration camps for illegals. Which inevitably brings us to the U.S.-camp in *Guantanamo*, where prisoners have been



held without trial for years. And, yes, tortured too! This is what capitalism will eventually lead to.

But, then, on this same island of Cuba, there are hundreds, if not thousands of political prisoners, whose only crime was opposition

against the socialist system. And some of them were tortured too. And the fear factor is kept high in Cuba too. Isn't it obvious that we have to move forward to a third position? That



we have to move away from the war between rich and poor? Basically that is what the U.S.-Cuba conflict is. A Cold War between rich and poor, the pot accusing the kettle he's black. They're both guilty as hell.

### ***Economics based on ethics***

Don't you think that justice will lead to peace? Of course, there is such a thing as social justice. If society is structured in such a way that it constantly marginalizes the masses, it should be restructured. We accept as part of fair competition that when companies become too large, they should be broken up. Otherwise, they become abusive and monopolistic. The same principle applies to the concentration of economic power in society. When it becomes too acute, it becomes abusive and should be diffused. This is what Kelso saw and incorporated in his proposals.

Men are created equal. That's why in a proper democracy the concentration of economic power in the hands of a few should be remedied and structurally avoided. This is



precisely what Kelso proposed. But he devised his system in such a way that the rich would not be penalized, but instead the level of the poor be raised. Is a more just way thinkable? Will this not lead to peace?

### *Social democracy*

We wanted to write about the errors of 'social democracy' in this article, but sometimes the pen has a mind of its own. Suffice it here to point out that social democracy is forever trying to mop up the floor while leaving the tap (faucet) wide open.

The bulldozer is a symbol of technology. Unless our angry man owns a part of it, he will forever be condemned to beg for a living, i.e. beg for a part of the *income* generated by it. And the bulldozer owner will always have the last word. As long as you are completely dependent on him, as long as you don't own a part of technology (the bulldozer), you will be bought, intimidated, cajoled, outsourced or subjected to money power in other ways. And, if all fails, you can always be replaced by technology. You can protest or strike as much as you like (i.e. mop up the floor), but *if you don't own, you will never be free*. This should have been clear at least since World War II. It is amazing how social democrats (and trade-unions) could have been blind for so long.

## ***Cuba will always have an ‘Averiguá’***

Humor is unexpected truth. At least, that is one of its characteristics. The Cuban idiomatic expression: '*Siempre tendremos un Baragua*' (tr. 'We will always have a Baragua'), means that Cuba is always ready to make a courageous decision and stand by it. But the people see a different truth and humorously say: '*Siempre tendremos un ‘averiguá’*', meaning that in Cuba you always have to wait and see what is available, i.e. if there is soap, if there is toilet-paper, if there is cheese, if the government shop is open at all, and, if so, if they are selling. *Etcetera*. You can never be sure. You always have to check or *verify* ('*averiguar*') first. There is always some reason why normal things are not as you would expect.

### ***Government workers***

Nearly all workers in Cuba are government employees. They earn low wages, but have job security as long as they don't criticize the hotshot bureaucrats. Whether you work, sell or produce, makes no real difference. Your wages won't change. The government does try to persuade workers to pay more attention and do a better job, but in practice this does not materialize. There is little to no motivation; there are few or no effective incentives.

One sees the same basic pattern all over the world when government workers are involved. Citizens just have to wait until they are ready to serve. At their own slow pace. Now, imagine that all businesses, shops, snack bars, hotels, factories and farms were run this way. Production and service would rock-bottom and as a consequence government expenditure (compared to income) would rise to an unsustainable level. This is the situation in Cuba.

Here's one example of daily experience. The only snack bar in *San Jose de las Lajas* where they serve coffee ('*Gustazo*') had reason *not* to serve coffee about 6 times out of 10. And, mind you, the coffee-processing plant is less than 10 km. away!

***Social democrats just don't get it***

For more than a century now, social democrats have tried to figure out a third way of their own. Tony Blair and, to a lesser extent, Bill Clinton fall into this category. They see the poverty and unjust distribution of wealth and try to solve the problem by distributing *income*. They leave all economic power concentration mechanisms intact and do not question the capital ownership of the elite. They basically embrace capitalism, but try to socialize it. To do this, they tax rich people and companies heavily and re-distribute this income via all kinds of mostly inefficient and unproductive mechanisms (unemployment benefits, creation of unnecessary government jobs, subsidies for unproductive activities etc.). Kelso called it '*boondoggling*'....

Now, socialists laugh at this. They *do* tackle capital ownership. And radically. They abolish it and make the state the only owner. And to make sure the owners will not return, they prohibit free enterprise (thereby killing the hen that lays the golden eggs), kill democracy and close the prison doors (to leave Cuba, even for a vacation, one needs government permission). Social democrats don't agree with this and therefore stop short of the logical conclusion, thereby forever condemning themselves to half-baked solutions. For as soon as they gain power, investments drop, the economy slows down, tax income goes down (even as rates go up), government expenditure becomes unsustainable and before you know it, they start breaking down their own beautiful income re-distribution schemes.

But in Scandinavia it works, the social democrats argue. It is true that the re-distribution there is such that the 'poor' can also live comfortably. But for how long? To serve their capital owners, Scandinavian companies will sooner or later also start moving to countries where labor is cheaper, will start outsourcing and replace workers with technology and do all sorts of other things to raise profits. They have to do this also for survival. For they have to contend with competition. In Holland the gradual dismantlement of the 'welfare state' has long since begun. Germany and other European countries are following. Scandinavia will be forced to do the same.

As long as economic power remains concentrated in a tiny elite and the concentration mechanisms (interest, inflation, morbid capital, collateral requirement etc.) remain in place, the process of capital concentration (with masses of poor people) will inexorably continue. The workers in Scandinavia or Europe may be reasonably well-off now, but this is partially due to the masses of poor people around the world. As explained, these concentration mechanisms are inherent in capitalism. And because social democracy basically embraces capitalism, the best it can do is slow down the process. But in the end social democrats always serve their masters, the capital owners.

## *Justice or Santa Claus?*

Today we killed Santa Claus, i.e. we left the town of *San Nicolas* behind us. It was the 33rd day of our 50-day march, each day reflecting on one year of the Cuban Revolution. It was about the 33rd year of the Revolution that Russia was forced to stop supporting Cuba financially. The whole of Communist Eastern Europe had collapsed and Cuba was left on its own. Santa Claus had died, so to speak.



So Cuba had no choice but to open up a bit and it resorted to tourism. The pace of the Revolution slowed down. The Cuban people started losing confidence in the system. Our march also has to slow down for other reasons. But the analogy - pure coincidence, of course - is striking.

The pace also slowed down, because Cuba was still unwilling to fundamentally rethink. The government introduced some marginal changes but on the whole just dragged on, hoping that somehow someday they could make socialism work after all. Or was it maybe they were waiting for a new solution to show up? Something that would be a dignified way forward instead of a return to vulture-capitalism, making 50 years of revolutionary effort completely meaningless? If that is the case, there is hope for *solidarism*. In 17 days time - God willing - we will reach the Central Plaza of *Nueva Paz*. Let's see what happens. Maybe Cuba will be ready then for a New Peace.

If so, we look forward to receiving the permit we are requesting to publish the magazine *ARCO uncensored* in Cuba. This will give us a chance to explain *solidarism* to the Cuban people. This will trigger a discussion and create a new perspective for Cuba and the world.

### ***China's solution is monstrous***

Some Cubans favor the Chinese solution. They are likely to be members of Cuba's only constitutionally recognized political party. They are afraid to lose power and thus suggest the China Option.



The Chinese Communist Party maintains absolute political power, but has introduced the capitalist economic model. Immediately the economic power concentration mechanisms started operating. A tiny economic elite is emerging in China. It will not be long before this elite will start infiltrating the Communist Party and at a certain stage more or less take over. This will not be advertised; it will not be visible. But it is bound to happen. ***This makes the China Option worse than capitalism with political democracy.*** If Cuba rejects *solidarism* and opts to return to capitalism, then at least introduce some freedom and political democracy!

### ***Democracy, not democracy***

Democracy run by a tiny economic elite behind the scenes is democracy. Unless capital ownership is structurally diffused so that there is no economic elite, real democracy is impossible. Political democracy without economic democracy is like a man without a soul.

We are happy with the little (political) democracy there is in Western Europe, Japan and North America. Something is better than nothing. But we know it is at least half cosmetics. The only real choice the people in the United States, for instance, have is between the Democratic and Republican parties. The difference between the two is marginal. What kind of a choice is it really to have to choose between capitalism and capitalism? This is unreal. It appears to be what it is not.

### ***God is***

This article seems to jump from one unrelated topic to the next. But the connection is there. Soul leads to God, does it not?

The 33rd day (or *year* rather) is significant in the Christian religion. Those of faith know why. We have stated earlier that *solidarism* has an *interfaith* spiritual basis. What does that mean? In an earlier article we stated that 'God is pressure'. Here we state that 'God is Justice'. *Solidarism* is based on Justice. Only Justice will bring peace. We know full well that any word or phrase filled in after the words 'God is', is superfluous and could only limit the Limitless. The only possible answer to the question 'Who or what is God?', is silence. However, we suggest that the phrase 'God is Justice' is a good starting-point for meditation. For people of all faiths. Think about it.

## *Caimito, muy Bonito*

*Caimito*: a tiny, quiet and authentic seaside village on the South coast of Cuba. Foreign tourists hardly ever go there, for there's no hotel and the road to reach it, is terrible. The nearest population center is *Hector Molina*, a village we'll pass through next during our march to *Nueva Paz*. If your interests are few and simple and if you're used to being alone, you'll love *Caimito*. The villagers who stay at home live



mostly off fishing and some farming. The others work mostly at the sugar-processing plant in *Hector Molina*.

Havana reminds one of Curaçao 40 years ago. *Caimito* reminds one of Bonaire 40 years ago. There has always been a link between the islands of the Netherlands Antilles and Cuba. Many Bonairean men left their island in the 19th and first half of the 20th century to work in the cane-fields of Cuba. This established a regular line of contact resulting in interchange of culture. There are many Antillean descendants in Cuba.

### *Successes of the Cuban Revolution*

We have criticized where we felt this was necessary. But let it be stated clearly that the Revolution has had its



successes too. In *Caimito* and in every tiny village we visited, no matter how remote, there always was electricity and one or other system of clean water supply in all homes. In all homes we visited, from the most humble hovel to the more luxurious residence, there was always a refrigerator and a television-set. Public telephones are widely spread around and are cheap to use. People complain much about their wages, but apart from in Havana, poverty does not appear to be so bad that people go hungry. Nearly all people are reasonably clothed and many at least can afford some luxuries in clothing and other things.

In *Caimito* we spoke to a few youngsters. One of them was 18 years old. He was still attending school daily in *Hector Molina*. All children go to school for primary and secondary education. Higher education is available to anyone willing and capable. Despite its remoteness, three government busses pass by *Caimito* daily to pick up and drop off passengers for just one Cuban peso (MN) a ride. A doctor comes to visit *Caimito* regularly. Health care in general is nearly free.



These are all marvelous services, which you won't find in the Dominican Republic, for instance. Poverty is worse there too. So to be fair, there are successes. And it cannot be denied that the Cuban government does look after its people and tries to raise the general standard of living and improve the quality of life.

### *So, what's the problem?*

Lack of good-will certainly is not the problem in Cuba. The problem is the **structure**, which curtails freedom, erodes the

right of property and generally demotivates the people, resulting in low and poor quality production. Therefore the question is: how long can Cuba keep up financially providing its marvelous public services? An economic collapse is bound to occur.

In capitalism, too, the structure is the problem, not lack of good-will among the people. The economic power concentration mechanisms inherent in capitalism (interest, inflation, morbidity of capital, collateral requirement and others) effectively exclude the masses from capital ownership in the means of production. This leads to an ever-widening gap between a rich elite and masses of impoverished people, always giving rise to tension.

Of course there are other factors involved as well. Laziness, irresponsible living and government corruption all contribute to the problem in both socialism and capitalism. But the point we're making here is that ***good-will alone will not give good results as long as wrong structures remain in place.*** If the engine of your car won't run due to a mechanical failure, you must fix it. Good-will alone will not make it run.

## *CSOP is like Soursop*

Soursop (also known as Paw Paw) is a delicious fruit. But it needs sugar. Since both are available in Cuba '*como arroz*' (i.e. in great quantities), the soursop could be a very popular table-fruit. However, in practice it is mostly used for specific purposes, such as for making juice with milk and other ingredients. The financial instrument Kelso called '*CSOP*' is a bit similar. It could theoretically be widely used, but in practice will probably be more suitable for specific purposes.



CSOP means: 'Consumer Stock Ownership Plan'. As is the case with the ESOP instrument, the intention is to diffuse stock ownership as broadly as possible. However, instead of turning employees into partners, the CSOP instrument turns its attention to customers.

Any company (including ESOP-companies) could decide to turn its customers into partners by selling a percentage of its shares to them. Payment could be effected directly, of course, but usually would be effected in various indirect ways. For instance, the offer could be made that any customer who subscribes to an X-amount of annual business, will receive one share. The profit made on this business would then be considered payment. This could have the added advantage that the offering company could convince the bank that it has a guaranteed turnover, which could be helpful to secure a loan.

If it were a supermarket, vouchers could be given to customers for every X-amount of groceries purchased. An X-number of vouchers would then be convertible into profit-sharing stock (either with or without voting right). This could make good business sense, as profit-sharing partners are bound to be good repeat-customers.

***Privatization is not a panacea; neither is Solidarism***

In practice, we believe, the CSOP to be best suited 'to make juice', i.e. to be used where a mix of reasons make a certain degree of collectivization and/or restriction of competition opportune.



As an example let's consider utility companies. In large markets the privatization of utility services (electricity and public water supply) is technically possible, but there are also clear disadvantages to this. Private electricity companies would be loath to choose green production methods, if these were more expensive (as they still are). Neither would they be happy to promote the reduction of consumption, whereas the depletion of natural resources requires this. *Et cetera*. In smaller economies it does not really make sense to let two or more capital-intensive companies compete in a market



that is not expandable beyond the limited number of its inhabitants. Moreover, if they were to really compete (and not secretly fix prices and markets), one is supposed to come out stronger and win a monopoly in the

end anyway. So sometimes there are good reasons to 'collectivize' and/or 'socialize' certain companies at least to a certain extent. It is here we believe the CSOP could be most effective.

### ***Suggestions for Cuba***

For Cuba we suggest a reasonable number of relatively small regional water and electricity companies (with interconnected networks) that compete with each other within the limits of set maximum prices and that are allowed 100% green production methods only. Each company could perhaps be set up as a 50% ESOP – 50% CSOP. If it is considered advisable to include one single large shareholder (to give competition extra impetus, or to make take-overs more attractive to large investors), a mix of 1/3 private, 1/3 ESOP and 1/3 CSOP may be considered. These are not rules, but hints. A proper study and analysis of the situation is required, which could lead to different suggestions.

If a 50-50 ESOP/CSOP were chosen, this would mean that the workers and customers would each own half of the regional utility companies. If any profits were made, they would be equally shared, i.e. dividends would be paid out in cash to the workers and indirectly to the customers by means of discounts granted to them on future bills. Each customer would receive his/her share in proportion to the aggregate amount of his/her usage of utilities during the previous year.

Now, it will be clear that these suggestions are indeed a 'juice' of mixed ingredients, combining *solidarist* with capitalist and socialist principles. The point is that only the best solution is best. Man was not made for the Sabbath; the Sabbath was made for man. Political systems should not be adhered to for the sake of orthodoxy. *Solidarism* is

versatile and recognizes that where a combination of systems yields better results, this is obviously what should be done.

## ***Giving Doctors and Nurses a Better Deal***

Hygiene first! Doctors and nurses in Cuba should go on strike and demand that the government install public lavatories in all cities and major villages. And make sure they are kept clean. And demand further that in all (snack)bars, restaurants and hotels there are clean toilets with running water to flush them and sinks in which to wash your hands. And further that workers will be fined personally, if they serve snacks/drinks/meals with a swarm of flies! Such a strike would save more lives than it would cost. The Cuban health care system is excellent, but the lack of basic hygiene defiles it. Tourists don't like this situation either. They get sick (as happened to us) and won't return because of it. And don't give us the crap (pun intended) that 'it's the blockade!' So, doctors and nurses: 'Go get them!'

### ***Salaries of Cuban health care workers***

Doctors and nurses are paid well, according to Cuban standards. But this is even more crap! If our info is correct, doctors earn on average approx. 600 to 800 Cuban pesos (MN) a month. That would be between US\$ 25 to 35. Is that crap, or what?

Obviously, this should be understood within the Cuban context, where all wages are at starvation



level. Furthermore, not all things are for profit. The so-called 'free professions' are for the sake of it, or the 'honor', if you like. As soon as we leave this standard (as has long since been the case in capitalist countries), the excellence of the service is contaminated with an element that defiles its quality and sincerity of purpose. Hospitals are not money making machines! They are places where dedicated people do what is humanly possible to help their sick fellow citizens regain their health. So, doctors and nurses have no business to strive to become millionaires.

Having said that, this does not mean they should have to live off crap! On the contrary, they should be paid exceptionally well, so that they don't have serious money problems thereby allowing them to dedicate all their time to the difficult work they do. A Cuban doctor ought to earn a basic monthly salary of 500 CUC and nurses at least 250 CUC.

***Nice slogans! Where's the money going to come from?***

One source of money could be the Caribbean Seabed Authority. See [www.arcocarib.com](http://www.arcocarib.com) for more details. But this, for the time being, is just an idea, which so far hasn't even drawn attention, let alone money. So, let's stay real.

The money will have to come from:

- a) a system of health care insurance to which every citizen will have to contribute;
- b) patients who receive treatment;
- c) other income;
- d) savings.

Now, this means that the whole Cuban health care system would have to be turned around drastically. It is impossible to go into any further detail here. It is obvious also that no



more remuneration can be paid to doctors and nurses than the above four sources of income can produce, unless additional sources can be found, which is why the Caribbean Seabed Authority idea should be looked into.

### *The role of Solidarism*

Health care expenses are not productive. This means that the *solidarist* money creation engine operated by the Cuban Central Bank could only be used to build hospitals, provided certain conditions are met (the main one being



that the investment must be paid back in full by means of taxation or any other way; cf. Rule 3 for safe money creation; see article: 'A Safe Money Making Machine'). All other expenses would have to be

covered by income generated by the hospitals themselves. In this respect, *solidarism* has no magic wand.

However, a re-organization of the operation of hospitals in accordance with *solidarist* principles could make a marked difference. We have to stress again that we're only hinting here and that a proper study and analysis of the entire Cuban health care situation could lead to different recommendations. Nevertheless, we venture to suggest that Cuban hospitals be organized as follows: 1/3 ESOP, 1/3 CSOP and 1/3 government held. This would give all 3 participants a direct financial stake in the proper and profitable operation of Cuba's hospitals.

### *All rigid principles lead to hell*

The CSOP-shareholders would be those individuals who take out private health care insurance with the individual hospital of his/her choice. The hospital would act directly as health care insurer, receiving all premiums without any 'middleman-cut', which is one way to generate extra income. Insurance plans would be subject to a reasonable deductible for each treatment so that all services performed would be a second source of income.

The government would organize its own system of mandatory health care insurance for lower income workers. The government would have to pay for all treatments given to government patients at reasonable fixed rates (for all other treatments, rates are set by each individual hospital). This is a third source of income.

Now, the health care workers themselves will have to make sure that the best service is provided and that everything runs as efficiently as possible, so as to generate maximum income and make substantial savings. They have a financial motive to do so also, for one-third of profits will flow to them on top of their basic salaries. This is a violation of the non-profit principle ruling the free professions, but then, aren't there exceptions even to sacred principles to avoid them leading to hell?

## ***Do the Workers also Share in the Risk?***

Was this question asked when slavery was abolished and wage-slavery introduced? Wasn't the real question then that slavery was *unjust*? Now that we are proposing to diffuse capital ownership, gradually turning wage-slaves into *partners*, should not the first question be whether this is more *just*? If we agree that it is, and if we agree that justice leads to peace, shouldn't financial considerations come second? Especially since we do not propose to take from the rich; we propose to raise the economic level of the poor.

To be clear, we are not proposing to 'abolish' the wage-slave system. We believe in freedom. Companies remain free to offer wage-jobs instead of partnership-jobs. People who prefer to work for a wage only, remain



free to do so. What we are proposing is that the state (via the Central Bank) promote ESOP-partnership by means of various incentives so that it will gradually become the norm. But in the *solidarist* system, wage-slavery - which is not slavery when it is freely chosen - is not 'illegal'. On the contrary, in some instances (e.g. in case of temporary jobs), it may be the best option for both parties.

### ***Cuba in best position to introduce Solidarism***

The transition to *solidarism* in Cuba will be quicker and easier to realize than in capitalist countries, because the conversion of state-held companies into ESOPs is less

complicated and time-consuming than the gradual process of privately negotiated ESOP-transfers. As this series of articles primarily focuses on Cuba, we will not enter into the details of how a privately negotiated ESOP-transfer is effected, but we do stress that it is a free process (no state-coercion) and that shares are **bought** and must be paid for in full by the ESOP trusts acting on behalf of the workers.

***What seems to be the real problem?***

The person posing the question we're considering in this article probably is not referring to the risk of default once an ESOP has been established and recourse is only possible to the company's assets. For in such a case, obviously, the ESOP workers/partners (by the way, please don't call them 'porkers') do, indeed, also share in this risk. In fact, this is part of the point being made. Sharing in the risk will make them work harder and more responsibly.



The questioner probably is worried about the risk of the person who would ultimately be responsible for paying back any loans to the bank. Who **would** be responsible for that? The easy answer would be: 'The company, of course', which means that the ESOP-owners fully share in this risk in accordance with their percentages of ownership. But this ignores the fact that private banks usually not only require collateral on the company's assets, they also require the private owner or owners to **personally** guarantee any loans extended to the company. And in general, it is understood that the ESOP workers/partners would be personally exempted from recourse.

We'll ignore the fact now that most present owners are inheritors of capital and never had to go through this grueling process of personally setting up a company. They simply own shares in companies and reap the benefits, that's all.

We'll also ignore the fact that it is a sick minded individual, indeed, who would commit suicide after losing about 1/3 of his capital as a consequence of the present bank crisis (2009), seeing that the total of his personal assets - after the loss - still amounted to more than US\$ 1 billion. This happened in Germany recently. The point being made here is that rich people in practice usually *don't* risk all. So, let's focus strictly on those owners, usually of new and small companies, who *do* risk all personally. This means that if the loan is not repaid, the bank eats up their house, wife, children, dog and cat! Ouch! This personal risk is a huge fire behind such owners' backs, which makes them work like hell. We speak from experience.

Now, if this huge risk pays off, obviously such an owner would be loath to share any profits with workers who were already compensated for their efforts (after all, they received wages), but never participated in the personal risk. What's more, the workers were *disinterested* in the risk and, as long as their wages were paid, couldn't care less.

### ***Cross-paradigmatic mistake***

The described situation can be a harsh reality in the wage-slave system and is fundamentally wrong. On top of the other inherent flaws in capitalism (such as the economic power concentration mechanisms explained earlier), it is indeed unfair that workers would want to participate in the profits, if they are unwilling to participate in the risks. A company is a co-operative effort and everyone, from top to

bottom, should participate in both risk and profit. This is precisely one of the reasons why *solidarism* is more **just** than capitalism. Because it does not deny the risk-reality and offers a more just solution to the problem (see below).

In *solidarism*, you see, owners of ESOP-companies will not be required to **personally** guarantee any company loans extended by the Central Bank. Loans will require collateral on company assets *plus* default risk insurance, the premium for which would be a fraction of what private vulture-banks usually charge in interest. The questioner is thinking within the capitalist paradigm and then makes an implicit judgment about the new (*solidarist*) paradigm. Such cross-paradigm criticism will of necessity result in wrong conclusions. It's like saying that the sun revolves around the earth, because everyone can see that the sun rises in the morning and sets in the evening and that it therefore must be revolving around the earth. However, in the heliocentric paradigm this sense-based and man-centered reasoning is proved to be illusory.

## *Between Rice and Cane*

Today, the 38th day of our march (24 Nov. 2009), we left *Hector Molina* behind us and entered upon the long straight road to *Nueva Paz*. On one side vast rice-fields, on the other cane, cane and more cane. *Hector Molina's* sugar-processing plant looks old and dilapidated. It was closed temporarily for repairs. But it is still operating. The warehouse looks quite new. It is huge and dominates the landscape. The old one has been divided into housing apartments. People live there now. Not very comfortably, I can assure you.



From one of a long series of government wall-messages in *Hector Molina* - most of them exhorting workers to work hard and extolling the Revolution - we could gather that the plant has introduced a system of worker participation. We asked one of the plant-workers if this was successful and he made a noise that means '*puro pedo*' (nothing but wind).

According to info received from other sources, these participatory schemes do seem to work to a certain extent. But, apparently, overall production in Cuba still lags far behind. Supposedly this is because equipment is old and breaks down frequently. Also because this kind of participation within the socialist system can only be partial. The state maintains ownership and seeks to gain from the participatory schemes as well.

Workers, furthermore, do not share in any risk other than losing bonuses. Workers who do not pull their weight are not easily fired. Nor is the plant free to market its own products. The im-



pression we got is that these participatory schemes, aiming to 'capitalize' socialism, are much like the half-baked solutions social democrats are wont to come up with to 'socialize' capitalism. ***A half-truth is a complete lie; a half measure a complete failure.***

### ***What does 'Utopia' mean?***

One of the strangest things to hear a Cuban say, is that *solidarism* is 'Utopian'. Yet some say it. Just 50 years ago, Fidel Castro proved that a 'Utopian' idea could become a reality. Okay, socialism turned out not to be as 'Utopian' as expected, but it was in fact realized. So why would it be so impossible to introduce a new 'Utopian' idea? *Solidarism's* alleged 'Utopian-ness' can't be a reason not to *try* it, especially when it's been realized that the old 'Utopian' idea (socialism) has failed.

When people say a proposed restructuring of society is 'Utopian', they mean that it may sound wonderful, but is 'impossible'. And by saying it is 'Utopian', they think they have made a decisive point. But in reality it is an empty remark, of course. There is only one way one will ever know whether an idea works or not. And that is by trying it. If *solidarism* works and is 'Utopian' as well, so much the better!



### ***Words, words, words ...***

Here's an interesting note. In Cuba the meaning of words changes. A 'lefty' is someone who opposes the socialist system. Internationally, Cuba is one of the most left-wing countries in the world, but in Cuba itself 'left-wing' has taken on the meaning of 'reactionary', i.e. what internationally would be considered 'right-wing'. So, in Cuba, left is right, so to speak.

Another interesting oxymoron is 'liberty'. Cuba considers itself 'free', because it is free of capitalism. This is true. The fact that basic civil liberties are lacking (we need government permission, for instance, to publish *ARCO uncensored* in Cuba, which *proves* there is no free speech), is dismissed as 'leftist' whining.



## *Seguiremos Raspando*

'One peso, please, to eat', the man begged. We were sitting in the *Prado*, Center Havana, analyzing the Cuban situation.

'I'll give you half; a hot dog over there costs only 35 cents'. The man was disappointed, but accepted.

'I'm an honest man', he said.

'Okay, let's test that. I haven't got any small change. Take this peso and bring back 50 cents'. The man accepted again. And, indeed, a couple of minutes later he returned with the change.

Then he said: '*Okay. Sigo raspando por 50 kilo más!*' The man left. (Translation: 'Okay. I'll keep on scrounging now for another 50 cents!').

Twenty minutes later he was back. 'The police won't let me pass over there', he said, pointing up the *Prado*. 'So, I can't scrounge'.

'Oh, why's that?', we asked him.

'I don't know', he answered. 'They say I'm crazy'.

'Well, maybe they just don't want you to scrounge'.

'Could be', he answered. 'But, anyway, I'm stuck now. Can't you help me with the 50 cents I gave you?'

'Oh, man! Don't you ever give up!?', we answered. 'Here, take it. And go now!'

'Ah!', he said, '*Ahora sí está completo!*' (Translation: 'Ah. Now it's complete!').



We were trying to teach the man a lesson, but instead he taught us. Ever since, we use the phrase: '*Seguiremos raspando*', to refer to our daily marches and to remind us to never give up. Just come back and try again. In the end you'll get what you want. In other words, we'll get our permit to publish *ARCO* in Cuba one day!

## ***How to CIC-start a Community***

Community-building is done from the grass-roots up. It can't be done effectively, if the community is too large. Without grass-roots participation, there is no community.

These three rules are obvious, yet usually not applied in the modern world. And we wonder why alienated people turn to vice and crime (not to mention poverty now as a major cause of this). People are social beings. Without a sense of belonging, they feel lost. Now, we believe that religion has a great role to play here. But in this article there is no space to go into that. We can only explain the *solidarist* contribution, especially how it can stimulate the *participative* element in community-building.

### ***Turning individual citizens into capital owners***

The 'CIC' is yet another *solidarist* instrument, developed by CESJ along Kelsonian principles. Already we have learned how citizens can become owners of a country's natural resources (*cf.* the article on the Cuban Bank of Natural Resources). At the community level something similar can be done.

Again, the essential point is to turn individual citizens into capital owners, basically giving them back what was theirs all along. All residents of the Cuban town of *Nueva Paz*, for instance, can be made equal shareholders of the *Nueva Paz* Community Investment Center (the '*Nueva Paz CIC*'), a



commercially driven for-profit company that will exploit the town's commercial assets.

Now, *Nueva Paz* lies smack on the main road (*autopista*) from Havana to *Guan-tanamo*. Near the viaduct there is a lot of open space available for the develop-



ment of an industrial area. The *Nueva Paz CIC* could develop this. Industrial buildings could be constructed there, financed with newly created money by the Cuban Central Bank at 0% interest with only the default risk premium having to be paid. These buildings could be rented out to industrial companies that need easy and quick access to the *autopista*.

The entire industrial complex could be provided with 100% green energy to be generated by the *Nueva Paz CIC*'s own power plant, fuelled by *Nueva Paz*'s household and agricultural waste – all financed by the Cuban Central Bank. ***All these investments would have to be exploited commercially.*** All net profits would be paid annually to *Nueva Paz*'s resident-shareholders.

The example worked out here for *Nueva Paz* is actually in the process of being turned into reality in East St. Louis, Illinois, in the USA. For various reasons the CIC there has been incorporated as a co-operative, but the basic principle has remained the same. There they call it a 'Community Land Cooperative'. All net profits will flow directly to the

residents of East St. Louis. More info on this project can be found at [www.cesj.org](http://www.cesj.org) .

### *No more 'rickety tin cans'*

The last major capital-diffusing instrument suggested by Louis Kelso is the 'RECOP'. It stands for 'Residential Capital Ownership Plan'. Kelso held that a good solid home that will last a hundred years or more is also a capital good. In fact, it is the basis of a person's own capital estate. There is some disagreement about this among proponents of *solidarism*. One could view a residential house as a consumptive good, but we agree with Kelso.

The plan is simple. The Cuban Central Bank (or an offshoot thereof, the Cuban National Housing Agency) could extend mortgage loans to any person residing in Cuba who wishes to build a new home. These loans would be provided at 0% interest; only default risk insurance would have to be paid on the loan (maximum 2%). The Bank or Agency would use its money creation power to finance these loans (extending '*procreative credit*').

'No rickety tin cans', Kelso would say, 'but solid spacious homes, built to last'. We wonder what the people living in *Hector Molina's* old sugar warehouse would think of this idea? Or the people living in the millions of shacks and slum-houses scattered about Cuba?



Obviously, this is not an overnight plan and the repayment capacity of the borrowers also plays an important role in what is possible and what is not. But, basically, the plan is sound. And the 0% interest-rate as well as the second income from capital which *solidarist* citizens would receive, makes a lot more possible than is the case now. Within a few short years, privately owned housing would improve miraculously in Cuba.

## *Beware of the Boomerangs*

How could one subtly say that accusations have a tendency to turn back upon the accuser? By making an artwork consisting of boomerangs, of course! In the magnificent



*Museo de las Bellas Artes* at the *Parque 13 de Marzo* in Havana, one can admire such an artwork dated 1995 and entitled '*Teoria del Transito*', by Abel Barroso (born 1971) from the town of *Pinar del Rio*. Seeing that Cuba is always in an accusatory mood, the boomerangs in

the artwork are many. But the boomerangs from Miami are also many, so that from the exchange a *synthesis* is bound to emerge.

Of course, we don't know if we have interpreted this artwork as intended. Its message is veiled. Open criticism of the regime is rare. In the museum we did not see any indication of it. Artists are afraid of the boomerang-effect of criticism. So, even art is not free in Cuba. And what is art, if not free?

Another prominent art-work we had occasion to visit during an interruption of our march, is the Havana Christ statue. It stands atop a hill overlooking the Bay of Havana (on the *Casablanca* side, opposite *Havana Vieja*).





When we arrived, we were disappointed to see it being commercially exploited by the Cuban state and decided to leave. On a building-wall next to the Christ-statue one can read a quote from Fidel Castro, apparently dating from 1963. In translation it reads: 'A Revolution is a force stronger than Nature'. Coincidence, or another fiery boomerang?

### ***Leisure work***

The spiritual pursuit and liberal arts (music, art, literature, philosophy, cinema, theatre etc.) take time. In Greek and Roman times only slave-owners had the leisure to dedicate themselves to these luxury activities. Following the Industrial Revolution and the abolition of slavery this privilege was reserved mostly for capital owners, i.e. those people who owned the 'means of production' (land, farms, factories, shops etc.). With the introduction of the minimum-wage and the 40-hour workweek in the 20th century (made possible by the increasing productive use of technology), a window of opportunity opened for a wider public to participate in these pursuits. But even today it remains a luxury most people just cannot afford, nor have the time to enjoy.

In a *solidarist* society, art without freedom is unthinkable. Not only freedom of expression, but also in the sense of having enough free time (and money) to express oneself artistically and/or to enjoy art produced by others. Time spent on these pursuits Kelso called 'leisure work'.



He was aware that his proposals would accelerate the

development of mechanization, automation and robotics. And also that this would fulfill the process, which had started with the Industrial Revolution, leading to an ever-diminishing role (time-wise, that is) for labor in the productive process and thus more free time for leisure work.

### ***Technology, friend or foe?***

That is why Kelso took pains to explain that the concept of 'productivity' in mainstream economic theory was deficient, because it is labor-based and ignores the fact that by now capital is at least 10 times as important as labor in the productive process. This means that unless one becomes an owner of capital (i.e. a co-owner of the robots that do most of the work), one will forever be marginalized as a laborer (*cf.* our earlier articles entitled: 'The incredible story of the man, the donkey & the truck').

Many workers instinctively know this because nearly daily they have to compete with technology, which is forever threatening their jobs. That is why they try to resist the introduction of technological advances, often even agreeing to lower wages just to avoid being made redundant. Kelso pointed out to them:

- a) that such resistance is imprudent as man could not survive without technology;
- b) that such resistance is futile, for in the end they would lose the battle against technology anyway, and
- c) - more importantly - that there is a way in which everyone could share in the advantages of the wonderful ability of technology to do the hard manual work that even

animals dislike; and nowadays even the 'stupid' intellectual work that dulls the human mind.

### ***Diffusion of capital ownership***

What Kelso referred to is, of course, the diffusion of capital ownership (i.e. the ownership of the robots that do most of the work) among the entire population. To that end Kelso designed a number of financial instruments, which do just that, i.e. diffuse capital ownership. And he designed them in such a way that it would not be necessary to take from the rich. That would boomerang! Instead, they are designed to share *future* accelerated economic growth.

This way - which forms the economic basis of *solidarism* - workers gradually become co-owners of technology and will no longer view it as a foe who takes away their jobs,



but as a friend who does the necessary dull work for them. And this will give them both the time and the required second income from capital to dedicate themselves to leisure work, which will inevitably boomerang into ever advancing new technologies to further make life easier and more enjoyable for all humankind.

## *Solidarism and the European Union*

The European Union (EU) is a capitalist region, socialized by a great number of social-democrat measures. These are gradually being dismantled on the national level. Even France under President Sarkozy is working on it. These measures are unsustainable in a basically capitalist global market. And also simply because they do not favor the perceived interests of the capital owners, who basically demand one thing only: *ever-higher profits*.



The fact that consumers ultimately need to have money to be able to buy the goods and services produced by the capital owners' companies (thus enabling these to make any profit at all), is understood by some politicians, but not by the CEOs of indi-

vidual companies, whose over-riding goal and prime worry is to make sure the figures go up.

In the capitalist structure this means a constant increase in morbid capital, which ultimately results in crisis (*cf.* our article 'Turning Morbidity into a Homerun'). By arranging more credit for consumers, one can postpone the crisis for a while (giving companies in the meantime a chance to suck out even more profit from them), but there comes a point when consumers have over-reached themselves, whereupon they begin to default massively. A double crisis then results, such as we have right now.

## *Solidarity is not Solidarism*

One of the principles driving the EU is what they call 'solidarity'. It is basically a social-democrat principle. One of its objectives is the realization of the idea of 'cohesion', which means that all member-states should be enabled to reach a minimum social-economic level that at present is set at 75% of the average European level. Poorer member-states are helped by the Union to reach and maintain this level. This is done by means of social-economic stimulus-packages, which basically re-distribute tax-income from richer to poorer member-states. Finland, Ireland, Spain and Portugal have all greatly benefited from these programs.

But, as will always happen with *income* re-distribution schemes, the richer member-states (basically the major capital-owning states) are complaining. The high taxation feeding these schemes is hurting profits of their national companies, which have to compete in the global market and therefore have cogent reasons to demand tax reductions (apart from their profit motives). So, the circle is complete: as is happening on the national level, the inter-European *income* re-distribution schemes are also gradually being reduced or may even be completely dismantled.

Now, the idea of 'solidarity' as applied in the EU should not be confused with the third economic system we choose to call *solidarism* (the Just Third Way). True it is, that the basic idea



behind European 'solidarity' is the same as what drives *solidarism*, i.e. the desire to achieve peace through social and economic justice. But *solidarism* holds that this can only be achieved when capital ownership is structurally diffused, both nationally and internationally. Without this the economy will remain unstable and peace will be insecure.

### ***To tax, or not to tax ...***

Taxation could be used to diffuse capital ownership, but we do not recommend it. First of all, there's no need to use taxation, as it can be done by means of money creation. And secondly, *solidarism* favors small government and low taxation. The main goal is to diffuse capital ownership, so that everyone will receive a second income from capital. That makes it only natural that we would want income to be taxed at the lowest rate possible. As a rule of thumb we might say that income and profit tax over and above 10% (the Biblical tithe) means that government is still too big. As we see it, government should shrink to only those things that by common consent are best done collectively and without which an ordered society would be impossible.

### ***Unconscious application of some Solidarist thinking in the EU***

Without being aware of it, the EU's founders did to a certain extent make use of *solidarist* thinking to build the Union. They figured that future wars in Europe could be avoided, if capital ownership were diffused among the European states. If German capital owners, for instance, held stock in French companies and vice-versa, Germany and France would not go to war against each other anymore. On the contrary, it would be in their mutual interest to create a larger market and tighten their inter-relationship.

This worked. Inter-European capital investments soon grew into the Common Market, which gradually grew into the European Union. And peace resulted. Although anything is possible in human affairs, at this stage it seems very unlikely that European nations would go to war against each other. Which goes to show how important the diffusion of capital ownership is. Although there was diffusion only among the capital owning elites of the European nations (and not among the people of these nations), it did lead to peace.

*Solidarism* also will lead to peace between rich and poor. Anyone rejecting our proposals as a way to achieve such peace, really should come up with a better idea. Or shut up.

## *Cuba in the Caribbean Region*

The highest possible political aspiration for the Caribbean region in the modern world is to gain recognition as the third distinct Region in the Western hemisphere. We hold this opinion within the context of the fact that there is no stopping globalization. It will continue whether we're ready or not, and whether we like it or not. We object strongly to the criminally violent way in which it is being done, but it is recognized that only in a globally structured society will there ever be a chance to cure poverty.

However, neither capitalism nor socialism ever succeeded in curing poverty. Nor did either secure peace. Not even freedom, we might add. Capitalism in the end always led and always will lead to fascism (be attentive, reader, and don't close your eyes to what is plain to see in Europe and the U.S.). Socialism was un-free and totalitarian from the start and never functioned in any other way. We hope that from this series of articles, the reader himself will gather





that *solidarism* does, indeed, have something important to offer to the world. And also what Cuba's role could be in all this.

### ***Interdependent and inter-connected world***

On the global level, the few remaining socialist states play the capitalist game as well. They have no other choice, because they, too, form part of an interdependent and inter-connected world that does not want to play the socialist game. So Cuba has to buy the goods and services that it cannot produce by itself on the global capitalist market (Cuba even imports food from the U.S.!). This will ultimately be unsustainable due to the fact that *internally* Cuba plays a different game that cannot compete with capitalism.

That's why Cuba and the few remaining socialist states will slowly be strangled, unless they adopt *solidarism* and start playing an even finer game that will stun their capitalist competitors. The only other alternative is to finally capitulate to capitalism. What a waste that would be!

Now, if Cuba had a superior system both morally and practically, there would be a point and heroism in holding out against all odds. But that's not the case. Admittedly, a case could be made that socialism is morally superior, at least from a theoretical standpoint and if freedom could be made compatible with it, which no socialist state – including Cuba – ever could.

However, socialism's *practical* functioning has proved to be clearly inferior. That is why China, Russia and the East Block gave up. So under those circumstances, holding out is not heroic but blindly stubborn. Especially since the majority of the Cuban people don't believe in socialism anymore. They *know* it doesn't work.

The only thing the Cuban people are unsure about is whether capitalism is the answer, although on a small scale (street-vending, money-changing, *bicitaxis*, trade etc) they're all involved in it, most of it illegally. The government does not crack down on this anymore, because it's done on such a massive scale (including by the police) that stopping it is not doable and would cause serious rebellion. Therefore, by conniving it the socialists can stay in power, at least for the time being.

### ***Some futurology based on logic and present tendencies***

In a globalized world the continents will most likely be divided into a number of Autonomous Regions. In our estimation there will be between 10 to 20 Regions. These will send their democratically elected representatives to a Global Council that will decree global guidelines on global issues. Within the contours of those guidelines, the Regions are autonomous. Each Region has its own democratically elected government, i.e. democratic in the Western tradition, based on free and fair elections with respect for all civil liberties. These Regions consist of provinces corresponding roughly to the countries we now know as independent states, which are further subdivided into a great number of local communities.



Now, we believe something along the above-depicted lines is going to happen. And it will take less time than most

people think. It took 25,000 years to reach the level of agricultural civilization and the dawn of science. It took another 2,500 years to reach the level of industrial civilization and the awakening of political democracy. It then took only 250 years to reach the level of robotic civilization and the perspective of abundance and economic democracy. It will take just 25 years to reach the dawn of *solidarist* world peace.

### ***Positive perspective***

The above text is a mixture of Fact (positive and negative), Promise, Hope and Logic, all leading to the same conclusion. We'll not spell it out again. Instead we'll hold out a positive perspective for Cuba.



In the Western hemisphere there will be either 2 or 3 Autonomous Regions. Two are already forming: North America (Canada, USA and Mexico) and South (or Latin) America (Colombia, Venezuela, Peru, Bolivia, Ecuador, Chile, Brazil, Argentina, Uruguay and Paraguay). There could be a third, i.e. the Caribbean Region (Central America, the three Guyana's and the Caribbean and Bahamian archipelagoes). If we, Caribbeans, don't make this happen, we will be divided up between North and South America.

Now, Cuba would be the natural intellectual and cultural leader of this third Region. And could be its political capital as well, for which it has the perfect geographical

location. But then Cuba has to act boldly now. It can rely on the best educational system in the Region and has a highly educated population. Its universities and medical institutions are a model for all. And its present socialist system makes it uniquely easy and suited to become the first free and truly democratic *solidarist* state in the world thereby bringing harmony and unity to our Region. Therefore, anyone in our Region understanding this unique opportunity has a right and an obligation to urge Cuba to act now and change course.

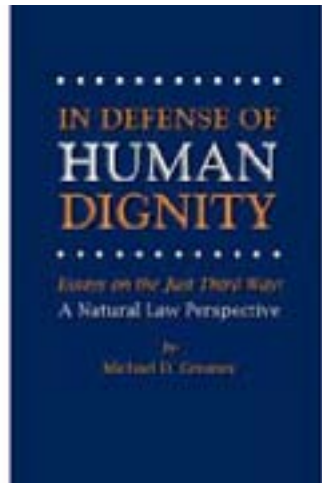
## *In Defense of Human Dignity*

While walking up *Loma de Candela* (this was on Sunday, 1st November 2009), in the valley below we saw farmers working the fields. A farm doesn't know Saturdays and Sundays, nor holidays. Animals have to be fed every day, 365 days a year. Crops need attention when they need it, not only on week-days. So farmers work constantly. They



produce the food we eat. If they should refuse to do what they do so well, wouldn't we all be at a loss? Clearly, they deserve a good deal. The Cuban revolutionaries saw this too, and tried. But after 50 years of socialism their deal is not any better than it used to be. Probably worse. Socialism's basic mistake was to take away the farmers' property. Most of them now own no land or cattle. They hold these in usufruct [using and gaining profit from property belonging to others] or work for collectivized state farms.

It is precisely on this topic - the right of and to property - that the book *In Defense of Human*

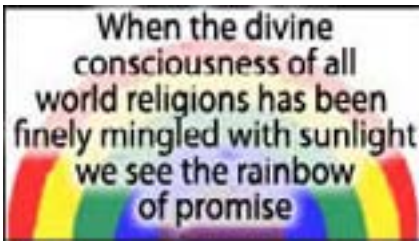


*Dignity*, by CESJ-collaborator Michael Greaney, gives an in-depth analysis. The book lays down the religious, ethical and philosophical bases of *solidarism*, making the system complete. The root of much of *solidarist* thinking can be found in the writings of Thomas Aquinas, as Greaney clearly explains. It is a fascinating book for those religiously or philosophically inclined. Every priest and pastor should read it. It can be ordered via CESJ ([www.cesj.org](http://www.cesj.org)). About the book we can be short: ***Magna est veritas et praevalabit!*** [Truth is great and will prevail].

### ***Atheists welcome!***

*Solidarism* is based on natural law. This, ultimately, is a spiritual concept. We have said so repeatedly. That doesn't mean we are opposed to atheism. On the contrary. We recognize the important role atheists play in society. Although we cannot understand their point of view and base our thinking on interfaith spirituality, we readily admit they are the best debunkers of religious madness and fanaticism. And there is a lot of that around, so society sorely needs them. In a *solidarist* society they are very welcome therefore.

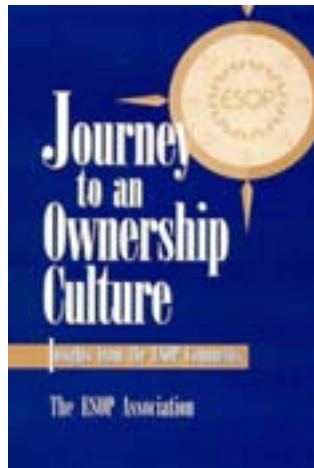
This also means that in a *solidarist* society, atheist politicians don't have to go to church anymore to win votes (or avoid losing votes). And religious people with socialist inclinations don't have to fake atheism anymore. *Solidarism* has a place for all. Nor do we have any wish to outlaw capitalism, nor socialism. ***Truth prevails, not force.*** Once people are aware, they will freely choose the blocks with which to build the best society that is humanly possible by the grace of God. Therefore, in a truly democratic society there are at least three political parties, each representing one of the three main political/economic systems that exist. And that is why, if *solidarism* would have to choose a color



to symbolize itself, it would either be the rainbow (i.e. all colors), or white to represent transparent light, which contains all colors. The sun is its ultimate symbol.

### ***Last but not least ...***

An overview of *solidarism* wouldn't be complete without mentioning the invaluable work of CESJ-collaborator Dawn K. Brohawn. Apart from doing much of the daily nitty-gritty work, she has compiled a very important practical book, entitled *Journey to an Ownership Culture*, evaluating 25 years of experience with ESOP-companies in the USA. There are about 11,000 companies (large and small) in the U.S.A. that - to a greater or lesser degree - make use of the ESOP-legislation that was passed during Louis Kelso's lifetime. The legislation is far from complete (no more than 20% we would say), but it is a beginning.



Brohawn's book contains many tips and much practical advice. The most important conclusion is that ESOP-companies must take time to educate their employees on how to function effectively as a worker/partner. People who have worked all their lives as wage-slaves do not become responsible co-owners overnight. However, provided enough time and effort is put into training and education and provided management adapts wisely to the new ESOP-ownership culture, an

increase in production of 20% or more can be expected under the present circumstances. This is with only 20% of *solidarist* legislation in place!.

In Cuba this percentage would be much higher. It is unwise to mention a percentage without any experience to back it up. However, we *can* say that a highly unionized company that turned ESOP in the USA achieved a production increase of over 400%! Change is possible, Cuba!

To conclude, we mention the work of Rev. Canon Peter Challen, co-author with Dr. Rodney Shakespeare of the book *Seven Steps to Justice*. Rev. Challen chairs weekly round-table discussions on *solidarism* in London. By the way, in London they don't use the word '*solidarism*'. And then there is Dr. Shann Turnbull who is pioneering *solidarism* in Australia and has written various essays and articles on the subject. There also are a few ESOP-associations in the U.S. that support and lobby for their members.





## ***Just One More Revolution***

A man on a '*balsa*' (= a makeshift raft used to flee Cuba) is detained by the ever-vigilant Cuban police.

'Where did you come from?', they ask him.

'Venezuela', he answers. 'I'm escaping from socialism', he adds.

'But, my friend, this is Cuba!', they point out.

'I know', he answers, 'but here it's ending, in Venezuela it's just beginning!'

This joke is circulating in the streets of Havana. It proves that a joke can be an effective '*Satyagrahic*' tool, i.e. a tool to bring about social change peacefully.

### ***The goal Kelso gave us***

Wasn't World War I the 'war to end all wars'? That didn't really turn out that way, now did it? So, why the title 'Just one more Revolution'? Well, because it's going to take another revolution to change from scarcity-thinking to abundance-thinking.

The ultimate cause of most, if not all, wars (with the possible exception of religious wars) has been our fixation on scarcity, ***the fear*** that if 'we' don't dominate or eliminate 'them', they'll take away or threaten our livelihood. Perhaps the greatest legacy of Louis Kelso will be the understanding implicit in his writings that scarcity does not conform to natural law. Jesus also pointed it out when he miraculously multiplied loaves and fishes. But it took a Kelso to make this insight comprehensible to modern man in economic terms.

Wrong comparison? Okay. But there it is. There is no need

for scarcity-thinking. In the universe there is abundance. We just need to extract and apply its secrets and scarcity vanishes miraculously. And that will lead to Peace. Obviously, science and the Industrial Revolution were the necessary first steps to move away from scarcity. We now have enough knowledge to produce and provide for all. And that ***abundantly***. This is the goal Kelso gave us, i.e. to achieve Peace through social and economic Justice, made possible by moving away from scarcity-thinking. We just need one more Revolution to turn ourselves around and realize it.

### ***The method Gandhi gave us***

But there is a problem. Revolutions are bloody. How can one possibly believe that a bloody revolution will bring Peace? How about 'One more Revolution to end all revolutions'? The temptation is there. But if Peace through social and economic Justice is the goal, it clearly can't be done that way. Jesus pointed this out, too. He even went one step further and commanded us to love one another as He had loved us. But, how could this 'love' ever achieve any change at all, let alone Revolutionary change? It took a Gandhi to show us how. He turned Jesus' impossible injunction into an intelligible and effective method. He called it '*Satyagraha*', literally the 'Pursuit of Truth'. This emphatically includes speaking truth to authority, which the Cubans find so hard to do.



In other words: Yes, we do need one more Revolution. But

this time it has to be a Revolution of Peace. Kelso gave us the goal; Gandhi the method. There is no other way. We have to stand between two snarling dogs, known by the names of Capitalism and Socialism, and make them see that there is no need to fight over one bone. There are enough bones for all. And this we have to do using *Satyagrahic* methods only.

Now, each situation is different. Cuba is not Poland, nor Tibet nor India. Methods specific to Cuba have to be invented. We do not know how at this time. But as has been shown, even a simple joke can be effective. We have to be creative.

### ***Coincidences and synchronistic superstition***

The final stretch of road from *Santa Fe* to *Nueva Paz* is long and straight. We reached it on the 38th day of our march, each day reflecting on one year of the Cuban Revolution. At the end of this long straight stretch, the road turns *left*. To reach *Nueva Paz* from there, one first has to cross a bridge (viaduct). This we did on the last (50th) day of our march, reaching *Nueva Paz's* central plaza around 11 o'clock a.m. (6 December 2009).

Now, it's pure coincidence, of course, that Cuba 'crossed the bridge' and allowed *Juanes* and *Bosé* to organize their 'Peace Concert' in the *Plaza de la Revolución* during the 50th year of the Revolution. To cross this bridge the government first had to make a *left* turn. The reader will remember that in Cuba 'left' means one favors political change.



Again, it's pure coincidence, of course, that we organized our march, calling for Peace through social and economic Justice, reaching *Nueva Paz* in the same 50th year of the Revolution as when the Peace Concert was held. However, allow us the hope to believe that Cuba is signaling to the world that it wants Peace. And allow us the superstition that our march ending in *Nueva Paz* is a sign that this New Peace will materialize through social and economic Justice, the way we have outlined in this series of articles.

### ***Zeno's mistake***

While walking along the road from *Santa Fe* to *Nueva Paz*, many times we could hear horses' hooves approach us from behind. Horse-drawn carts still are in common use in Cuba. Now, according to the Greek philosopher Zeno, the horses could never overtake us. For as soon as a horse would have reached us, we would have moved forward a bit. And when the horse would have reached us there, we would again have moved forward a bit. *Et cetera ad infinitum*. The horse would forever draw nearer, but never overtake us. But in fact they always did. 'Pure illusion', Zeno would say, for his impeccable reasoning showed it was impossible.

We believe that Kelso and his successors have clearly shown that binary economic theory, as outlined in this series of articles with special focus on Cuba, is sound. We cannot see any flaw in its reasoning. It has been analyzed, debated and adapted, where necessary, for over 50 years by hundreds of brilliant minds. Some practical experience in the USA (applying no more than 20% of the theory) has not brought any major mistakes to light. And no one has ever been able to point out where the theory is flawed, nor why it would fail in practice.

However, Zeno's reasoning is equally impeccable. Yet

common experience proves him wrong. The truth is that no theory can ever be relied upon until it has been thoroughly tested in practice and proved correct. Therefore, if Cuba would feel uncertain about adopting a basically unproven theory wholesale, we suggest it try out binary economics first on the '*Isla de la Juventud*'. If it works there as expected, the rest of Cuba can follow. The immediate advantages of making peace with the United States as well as the theory's



Promise itself, more than justify trying this experiment. We have no doubt it will surpass all expectations.



## **ANNEXES**

### **Annex 1:**

**Text of Petition to Obtain a License to Publish  
the Caribbean Magazine ‘ARCO’ in Cuba**

### **Annex 2:**

**Peaceful Transition to Economic and Political  
Democracy in Cuba**

### **Annex 3:**

**A new Look at Prices and Money**  
***The Kelsonian Binary Model for Achieving Rapid  
Growth without Inflation***

## **TEXT OF PETITION TO OBTAIN A LICENSE TO PUBLISH THE CARIBBEAN MAGAZINE 'ARCO' IN CUBA**

We hereby respectfully request the government of the Republic of Cuba to be granted an official license to publish the Caribbean magazine 'ARCO' in Cuba.

We have published a magazine called ARCO in the islands of the Netherlands Antilles during the past few years. For a number of reasons we had to suspend the publication in June of this year (2009), but we are preparing to resume publication in all parts of the Caribbean region, starting in Cuba, if that were possible.

We have always felt that Cuba truly is the intellectual and cultural capital of the Caribbean. And could be its political capital as well, as soon as certain changes will have been effected. We believe the time for those changes has come. Granting the requested license to us, i.e. to the foundation 'Caribbean Alliance pro Solidarity' established in Bonaire, Netherlands Antilles, would definitely be a positive and clear sign that Cuba is ready for serious change. We request a license to publish ARCO *uncensored*.

The magazine is published in 4 languages in our islands, but in Spanish speaking islands it would be published in Spanish and English (or perhaps also in French). The magazine publishes articles on cultural, scientific, political, economic, legal, ecological, social, medical and educational topics. To generate income, much attention will be paid to topics related to real estate, architecture, construction, building materials and related topics. On our website at [www.arcoarib.com](http://www.arcoarib.com) one can get an idea about the contents of the magazine.

Very important in ARCO is the emphasis placed on ecology and the Just Third Way, a political/economic system that is neither socialist, nor capitalist (based on its economic theory known as 'binary economics'). This is truly a 'third way', the logical synthesis between socialism and capitalism. This is a political and economic system all its own, which promotes the broad distribution of ownership of natural resources and the means of production in the hands of the people. **Not** in the hands of the State (as in Cuba), but in the hands of the people themselves.

But **not** in the hands of a tiny capitalist elite (as in the U.S.), but in the hands of the *entire* population, i.e. every individual man, woman and child. And that guaranteed. The government in such a third system is reduced to the smallest possible size, which means that production will be entrusted to private enterprises, but in such a way that the workers participate directly in their capital (for high percentages of between 50 to 100%). ***The workers are at the same time partners.***

Moreover, there is a Bank of Natural Resources in which each ***individual citizen*** will hold one non-transferable share with full voting right and the right to receive dividend. A full explanation of the system can be found at the websites [www.cesj.org](http://www.cesj.org) and [www.binaryeconomics.net](http://www.binaryeconomics.net) The application of various financial instruments guarantees that the population, i.e. every individual person, will always have ***two*** incomes, one income from labor and the other from capital. This will automatically result in a just distribution of the total of national net profits<sup>5</sup>. Instead of distributing scarcity (as in Cuba), this system promises to distribute abundance for all.

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<sup>5</sup> In the original petition we mistakenly referred to the Net National Income. This economic term means something that was not intended here.



This system - for reasons we cannot explain in this petition - will result in rapid, sustained and strong economic growth. And because this system requires the restoration of human rights, free enterprise and political democracy, its introduction in Cuba will result in a near instantaneous lifting of the blockade. In truth, ***this system offers the Cuban government an honorable way out*** and there is no doubt that the Cuban people, even the people of the whole world, would applaud the introduction of this system in Cuba. Because the people want to be free ***and*** economically comfortable.

This system, which we call 'Solidarism', can be introduced in Cuba. It is not a panacea that gives immediate results. That does not exist. But in 10 years' time Solidarism ***would transform Cuba in ways never seen anywhere in the world***. This is what ARCO wants to explain to the government and people of Cuba. It is not necessary to abandon socialism and fall into brutal capitalism as happened in Russia. ARCO does not defend capitalism. On the contrary. But it has been proved in Russia, and in Cuba also, that socialism does not offer a feasible alternative. Thank God there is a *third* system, a third way, namely Solidarism.

To be able to explain this liberating economic system in detail, i.e. solidarism, we need a permit enabling us to publish ARCO in Cuba. We thank you for your attention and look forward to receiving your positive reply as soon as possible. Our address is Kaya Isabel #1 in Bonaire, Netherlands Antilles. But the fastest way to reach us is by e-mail to: [m.bijkerk@telbonet.an](mailto:m.bijkerk@telbonet.an)

## **Peaceful Transition to Economic and Political Democracy in Cuba**

There is opposition to the Cuban government, but it is severely hampered by a lack of funds, as well as by a lack of rights to organize. The right to freely organize political parties, trade-unions or any other associations with an *independent* political agenda is denied in Cuba. And even if it were allowed, it would be pointless, because political parties other than the one in power are not allowed to participate in any elections. There certainly have been more repressive and more violent socialist regimes in the world; nevertheless, in Cuba freedom is effectively repressed.

There are many political prisoners in Cuba, although often they are convicted for common crimes committed in connection with a political act. For instance, if a demonstrator should destroy the bulb of a lamppost during an opposition rally, he may be convicted for destruction of government property. This makes him a common criminal, whereas everybody understands that the act was political, not criminal. And the perpetrator does not deserve a disproportionate jail term for such a trifle! We are not defending any right to destroy government property, but there is clearly a distinction between the inadvertent (or even deliberate) destruction of a lamppost bulb during a political rally against a repressive regime and the destruction of your neighbor's property out of malice or jealousy.

### ***Democracy in itself is not opposed to socialism***

It should be emphasized also that if the majority of Cubans should wish to maintain the present socialist system, or make only minor changes, then clearly and emphatically the minority of Cubans must respect that. But only if this appears on the basis of free and fair elections, allowing all political parties to campaign freely without any reprisals or intimidation against them, granting them free media-time on an equal footing with the party in power (which controls the media completely at the

moment). There is no free speech and no free press in Cuba now.

### ***Dialogue, not violence.***

It should be stressed that the transition in Cuba should be to **democracy**, not necessarily to capitalism. If the Cuban people really and freely want socialism, the present economic system should stay in place, with only those changes the majority party or parties want. This is in keeping with the Cuban opposition's point of view, i.e. those groups we have contacted. These opposition groups want transition to democracy through **dialogue**, **not** a violent overthrow. Neither from the inside, nor from the outside. They do *not* support an Iraq-style regime-change operation. Hopefully the US has learnt by now that the military option is neither just nor effective.

And these opposition groups do not necessarily want transition to capitalism either. They may well favor transition to Solidarism, the 'Modern Universal Paradigm', as Prof. Rodney Shakespeare calls it. This new paradigm is the golden mean between capitalism and socialism. This is the 'Green Third Way of Realism and Universal Justice'. For more detailed info on this system, we refer to the two main websites on this third way at: [www.cesj.org](http://www.cesj.org) and [www.binaryeconomics.net](http://www.binaryeconomics.net) It would be Cuba's fast track to freedom and prosperity, in an economic system as though people and abundance for all mattered.



### ***A change is coming to Cuba***

In Cuba everybody knows that change is coming. Nobody knows how and when, but it's coming for the simple reason that the majority of the people



want it. But the Cuban people do not yet know *what* they want instead of the present system. Yes, they want more freedom. And, yes, they want dialogue, but they don't know what direction the dialogue should take. Socialism has not been altogether bad for Cuba. ***The Cubans have excellent education and health care, which they did not have under Batista's dictatorship.*** Solidarity is deeply rooted in Cuban society and most people are reasonably happy, at least on the surface, but something is acutely missing. It is ***freedom***. But freedom, how?

It was aptly expressed by one prominent Cuban opposition leader: '***We don't want to fall from the devastation of socialism into the devastation of capitalism***'. The Cubans have taken good note of what has happened in Russia and how the West turned its back on Russia since it made the switch to 'KGB-democracy' and capitalism. Cuba does not want to become another Russia. So there is a strong longing for freedom and democracy, but also for something new.

### ***Cuba fertile ground for Solidarism***

That is why Cuba is fertile ground for the introduction of Solidarism, the ***Green Third Way of Realism and Universal Justice***, combining the best of socialism and capitalism into an unbeatable economic blockbuster. But this Just Third Way cannot function in a repressive system. In fact, it *needs* free enterprise, political democracy and civil freedoms to be able to function optimally. So, change is needed in Cuba to introduce it.

### ***Amnesty law for Cuba to facilitate transition***

To facilitate peaceful transition in Cuba, a gentle Amnesty Law is needed. The point is *not* to take revenge against Cuban government officials. In fact, the Cuban government has been responsible for introducing many good things in Cuba. Good health care and education have already been mentioned. But there is much more (cf. our articles in Section III of this book). So the point is not revenge. The point is justice and more prosperity ***for all***. So therefore, the Amnesty Law set out below

is proposed. It will grant amnesty to both government officials *and* political prisoners.

The only gentle measure against government officials may be their removal from office, but even then with fair compensation for loss of income or placement in the private sector with comparable income. If *peaceful* transition is to come to Cuba, then violence and brutal measures should be ruled out from the start. *All Cubans* should benefit from the change, not only members of the opposition (if they should prevail in free and fair elections). However, it would be wrong to allow officials who have committed atrocities to continue their work, as though nothing had happened.



And if the opposition is sincere in promoting *peaceful* transition through dialogue and democratic elections, the amnesty cannot be fully extended to those having opposed the government with violent means. Although the present government did use violence to overthrow Batista's regime and has not always shunned violence to

maintain power, the Cuban opposition we support (not the violent brand of opposition of some Cuban exiles in Florida!) has vowed to use dialogue and non-violent means only. This entails that – to be consistent – the opposition cannot propose full amnesty for those having used violence in an effort to bring about change. For them the amnesty can be partial at best.

The 'Christian Movement for Liberty', headed by Cuban dissident Oswaldo Payá, has in fact already handed in a petition to pass an Amnesty Law for political prisoners, but the law set out below goes much further, including peaceful transition to democracy in its scope. Something like the Amnesty Law below

should be an essential part of the transition process. God give that some of these ideas may be accepted and implemented.

## **Proposed Amnesty Law for Cuba**

### **Article 1**

#### ***SAC and TRC***

1. To facilitate peaceful transition to democracy in Cuba, a Special Amnesty Court ('SAC'), as well as a Truth and Reconciliation Commission ('TRC') will be set up.
2. Both the SAC and the TRC will be set up, funded and administered by the United Nations Organization.
3. A Special Prosecuting Office ('SPO') with full investigative powers, including access to all government records, will be added to the TRC. The SPO shall prosecute any official or agent of the Cuban government, including members of the Cuban police and military, it deems responsible for committing or aiding and abetting in any of the crimes or misdemeanors set out in this law.

### **Article 2**

#### ***Amnesty for officials and agents of the Cuban government***

1. The TRC shall grant full amnesty to any official or agent of the Cuban government found to have been responsible for committing or aiding and abetting in any of the crimes or misdemeanors set out in this law, provided all conditions set out in this law are met.
2. Without prejudice to any other conditions for amnesty set out in this law, amnesty shall only be granted if the prosecuted official or agent appears before the TRC and answers truthfully under oath all questions and queries put to him/her by the TRC and signs a declaration of allegiance to the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social & Cultural Rights.

### **Article 3**

#### ***Amnesty for political prisoners or otherwise unjustly penalized persons***

1. The SAC shall grant full amnesty to any person imprisoned or otherwise unjustly penalized for having committed any ***non-violent*** act of rebellion, sedition or any other crime, misdemeanor or act with political intent or mainly political intent against the government of Cuba during the period as of 1 January 1959 until the date to be determined by the SAC.
2. The SAC – at its discretion – may grant full or partial amnesty to any person imprisoned for having committed any ***violent*** act of rebellion, sedition or any other crime, misdemeanor or act with political intent or mainly political intent, against the government of Cuba, causing the death of or serious bodily injury to any person, during the period as of 1 January 1959 until the date to be determined by the SAC, on the understanding that the amnesty shall not shorten the prison term to less than three years, if the death of any person was caused, or to one year, if serious bodily injury to any person was inflicted.
3. Any person, having been imprisoned or otherwise penalized by the Cuban government, has the right to hand in an amnesty petition to the SAC, irrespective of the nature of the criminal act for which he/she has been convicted. To be granted amnesty the petitioner must prove to the satisfaction of the SAC that the act for which he/she was convicted, was committed with political intent, or mainly with political intent.
4. The SAC shall decide on each amnesty petition within three months of its submission.

### **Article 5**

#### ***Crimes and misdemeanors referred to in article 1, section 3 & article 2, section 1.***

The crimes and misdemeanors referred to in article 1, section 3 & article 2, section 1 are:

ordering or executing the death penalty for crimes or misdemeanors committed with political intent or with mainly political intent;

killing any person, or ordering the killing of any person;  
torturing any person or causing serious bodily or mental injury or harm to any person;  
ordering the torture of any person or ordering the infliction of any serious bodily or mental injury or harm to any person;  
harassing any person, or ordering the harassment of any person;  
ordering excessive prison terms for crimes or misdemeanors committed with political intent, or mainly with political intent;  
confiscating or ordering the confiscation without fair compensation of any property of any person.

## **Article 6**

### ***Extent of amnesty for officials or agents of the Cuban government***

1. Full amnesty for officials or agents of the Cuban government shall entail that no punishment shall be imposed, except for – at the discretion of the TRC – possible suspension and/or removal from office with fair compensation for loss of income or placement in the private sector with comparable income.
2. Those who are not removed from office may be obligated – at the discretion of the TRC – to follow a clearly set out human rights retraining program.

## **Article 7**

### ***Extent of amnesty for political prisoners or otherwise unjustly penalized persons; compensation***

1. Without prejudice to the provisions set out in article 3, section 2, amnesty for political prisoners or otherwise unjustly penalized persons shall entail:
  - a. the pardon of any (remaining) prison term with full rehabilitation, including the deletion of the criminal record pertaining to the pardoned offence;
  - b. the immediate termination of any other kind of penalty that may have been imposed, with full restoration in any (property) rights that may as part of or as a consequence of the imposed penalty have been confiscated or otherwise damaged,



harm or diminished in value, except where – at the discretion of the SAC – a fixed amount in restorative compensation payable by the State is more appropriate.

2. Apart from restorative compensation, the SAC may – at its discretion – award a fixed amount in extra compensation payable by the State to indemnify political prisoners or otherwise unjustly penalized persons for any pain or injustice suffered.

## **Article 8**

### ***Amnesties permanent***

All amnesties granted by the TRC and the SAC shall be permanent.

## **Article 9**

### ***Dismantlement of armed forces***

1. The Cuban Armed Forces will be dismantled.
2. The Cuban Secret Police will be dismantled.
3. Without prejudice to the provisions set out in article 6, all military personnel – including conscripts – will be offered appropriate functions in the Cuban Police Force.

# A new Look at Prices and Money

## The Kelsonian Binary Model for Achieving Rapid Growth without Inflation

by Norman G. Kurland

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### Introduction

What is money? In his 1967 book coauthored with his wife Patricia Hetter Kelso, *Two-Factor Theory: The Economics of Reality*, the late Louis O. Kelso described money:

*Money is not a part of the visible sector of the economy; people do not consume money. Money is not a physical factor of production, but rather a yardstick for measuring economic input, economic outtake and the relative values of the real goods and services of the economic world. Money provides a method of measuring obligations, rights, powers and privileges. It provides a means whereby certain individuals can accumulate claims against others, or against the economy as a whole, or against many economies. It is a system of symbols that many economists substitute for the visible sector and its productive enterprises, goods and services, thereby losing sight of the fact that a monetary system is a part only of the invisible sector of the economy, and that its adequacy can only be measured by its effect upon the visible sector.<sup>1</sup>*

What is clear from this description is that money is a "social good," an artifact of civilization invented to facilitate economic transactions for the common good. Like any other human tool or

technology, this societal tool can be used justly or unjustly. It can be used by those who control it to suppress the natural creativity of the many, or it can be used to achieve economic liberation and prosperity for all affected by the money economy.

How important is money? Meyer Amschel Rothschild, the founding father of one of the world's most powerful financial dynasties, has been quoted, perhaps apocryphally, as having said:

***Let me issue and control a nation's money and I care not who writes the laws.<sup>2</sup>***

Such a statement is a reaffirmation of the clear-sighted eighteenth century political insight of Benjamin Watkins Leigh, in the Virginia Convention, who observed:

***Power and Property can be separated for a time by force or fraud but divorced, never. For as soon as the pang of separation is felt, Property will purchase Power, or Power will take over Property.<sup>3</sup>***

It takes no genius to understand the relationship between money and market prices. Too many dollars chasing too few goods is the classic definition of inflation. And history is replete with cases where money has been politically controlled in ways that benefit only the few at the expense of the many.

In this paper a case will be made for a major transformation of any nation's monetary system so that in the future new money will be created in ways that would unharness the full productive potential of society, while closing what *The Wall Street Journal* (September 13, 1999, p. A1) recognizes as the growing wealth gap between the richest 10% and the rest of society<sup>4</sup>—and to do so voluntarily without the need to redistribute existing wealth. Prices, wages and interest rates would be controlled under the proposed model of development completely by competitive market forces, not by the whim of central bankers, politicians or organized power blocs.

This paper will aim at showing that Say's Law of Markets—that supply can create its own demand and demand its own supply—can be made to work if capital credit is universally accessible to all. This new paradigm, first developed by Louis O. Kelso and later refined by Robert Ashford and Rodney Shakespeare,<sup>5</sup> would result in an asset-backed money supply that would provide sufficient liquidity to banks and other financial institutions for financing all or most of the new productive assets which are added each year to grow the economy.

While this author recognizes that both Karl Marx and John Maynard Keynes, and their many followers in academia, have rejected Say's Law of Markets, this paper will point out how the binary economic model originally conceived by Louis Kelso refutes the criticisms of Marx and Keynes and offers a more sound moral and economic framework for promoting sustainable development within a market system. The Kelso model—recognizing both labor and capital as direct and interdependent sources of mass purchasing power—would be structured to create a more just and more productive system than any market system in the history of modern civilization.

Wealth distribution assumes wealth creation, and productive capital (i.e., technological and systems advances and improved land uses), according to recent studies, accounts for almost 90% of productivity growth in the modern world.<sup>6</sup> Thus, balanced growth in a market economy depends on incomes distributed through widespread individual ownership of productive capital, all nonhuman means of production. The technological sources of production growth would then be automatically linked by free market forces with the ownership-based consumption incomes needed to purchase new wealth from the market. Thus, Say's Law of Markets—which both Marx and Keynes attempted to refute—would become a practical reality for the first time since the Industrial Revolution began.

The challenge this paper will present, especially to academic economists, is to demonstrate mathematically how Say's Law of Markets can be reconciled both with the classical quantity theory

of money and various measures of net national product (NNP) to permit accelerated rates of growth without inflation.

A side-effect of this proof is to relegate the Phillips' curve—that inflation and unemployment are inextricably linked—to the dustbin of economic history. *The ultimate aim of this paper is to present a logical and unified market system that is structured to combine economic efficiency with fundamental principles of economic justice.*<sup>7</sup> Implicit in this position is that no known economy in the history of civilization, particularly since the advent of modern technology, has offered both genuine justice for all, and optimum rates of productive efficiency. If this author is correct, those frustrated by today's unfree and unjust market economies are urged to come together for serious study and discussion of an alternative model of development, the new paradigm of binary economics.

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### **Problems Not Effectively Addressed by Conventional Economics**

How will the U.S. economy finance the \$2 trillion required each year (at 2000 rates of growth)<sup>8</sup> to meet the nondefense capital requirements of the U.S. private and public sectors in the form of new plant and equipment, new hardware and software technologies, new rentable space and new physical infrastructure?

Assuming we can solve this problem, who will own the massive amounts of new capital brought into existence to meet our needs for energy self-sufficiency, new communities, and new housing, mass transit, new communications systems, resource recycling and conservation, expanded food and fiber production, etc.? Will those assets be owned by the same top 10% of U.S. families who own and control 90% of directly owned U.S. corporate stock? Will those assets be owned by government and quasi-government agencies? Will those assets, in the words of Peter Drucker, be "socialized" in the hands of money managers, pension funds or foundation bureaucrats? Or will that new

capital become owned by many people whose incomes today depend almost exclusively on their (often subsidized) jobs, paternalistic government welfare and subsidy handouts, and private charity?

Can such massive investments be made without foreign oil dollars, or, for that matter, without exclusive dependency on the past savings accumulated by the rich or the reservoirs of accumulated small savings of the middle class and the poor? Can capital be acquired on expanded bank credit ("pure credit") secured by the future income (or future savings) derived from such new investments?

Can the Federal Reserve System become the "lender of last resort" so that the "full faith and credit" of "We, the People" can pump newly issued money into the banking system on a self-liquidating and asset-backed basis? And can this newly created credit be channeled under the supervision of local banks into *unsubsidized*, self-liquidating, commercially insured loans at 2-4% borrowing costs to fund feasible projects of enterprises that voluntarily want to acquire their future capital needs in ways that broaden the base of U.S. capital ownership in the process?

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### **Why is the Asset Gap Growing Between A Wealthy Elite and Other Citizens?**

What explains the growing maldistribution of capital ownership in America and throughout the global economy? Why is there a massive and growing capital gap between the already wealthy and those who have little or no capital assets and generally live from hand to mouth? Why is it easier for a Bill Gates to increase his capital from \$10 billion to over \$90 billion in a few years than for the average American to accumulate in net worth enough to live on for two or three months?

Let us examine some of the structural root causes that enable the rich to get richer and the poor to become increasingly vulnerable to the forces of global change. Wealthy people can attract capital

credit (i.e., other people's money) to add new and more powerful productive assets to their existing ownership stakes, because wealthy people can pledge their previous accumulations as collateral, thus eliminating the potential risk to lenders in the event that the loan cannot be repaid. Most citizens, especially the poor, have no assets to pledge as collateral. Therefore, most people cannot qualify for capital credit to purchase, on the same terms as the already wealthy, newly added self-liquidating productive assets. Once feasibility standards are met, such assets, in the hands of reasonably competent management, will pay for themselves out of future profits or savings and then become a source of additional capital incomes for those with access to capital credit. Thus, those without assets (and therefore by definition people who cannot overcome the traditional collateralization hurdle) remain with little or no hope to share profits from their own assets and gain an independent source for their future consumption incomes.

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### **The Logic of Corporate Finance: A Key Tool for Creating New Owners Simultaneously with New Capital Creation Within a Market Economy**

The guiding logic of all corporate finance is that all projects must be self-liquidating. Newly formed capital, such as improved land, new structures and new tools, are never brought into existence by a well-managed enterprise unless the new investments will pay for themselves. Under ordinary circumstances, "payback" for new equipment is generally expected within three to five years. In the corporate sector, it is interesting to note, the corporate umbrella insulates the eventual owners of this new capital, generally the already wealthy, from personal risk in the event the corporation defaults on its loans or goes bankrupt.

Using conventional methods of finance, over \$2 trillion of new productive assets (or about \$7,500 worth for every man, woman and child) are added annually to both the private sector and public sector of the U.S. economy. Virtually none of this newly

created capital is financed in ways that create any new owners when it is formed. Theoretically, all or at least most of these assets could be financed in ways that they could be broadly and privately owned, as suggested by Louis Kelso and other binary economists since the 1950s.

Binary economics would require that inclusionary self-liquidating capital credit be made accessible to corporate employees and other current non-owners of productive capital in order to turn them into economically independent capital owners. And, in the same way that the currently wealthy use credit to increase their wealth, and thus their incomes, this would be done without unreasonable self-deprivation during the working lives of people economically enfranchised under a comprehensive national expanded ownership strategy.

As the logic and techniques of binary corporate finance are extended throughout the economy, all new incremental productive power can automatically be built into individuals who have unsatisfied needs and wants—without diminishing their take-home pay or past accumulation of savings. This will break the monopoly of capital ownership held by the currently wealthy—those with functionally excessive productive power in terms of their consumer needs and wants. The savings of the currently wealthy would then flow into the most risky and speculative ventures, or for insuring capital credit for the non-rich, or for supplying consumer credit and other nonproductive forms of credit.

"Pure credit" can be defined as productive credit extended by a commercial bank, other financial institutions or a central bank in a manner independent of past savings, so that the amount borrowed plus all transaction costs are secured and repayable with future savings from the capital assets acquired with such credit. Limiting the extension of "pure credit" by the central bank to current non-owners and leaving the pool of past savings open for use by the currently wealthy and for nonproductive government and consumer borrowing would result in a noninflationary expansion of the ownership of capital assets.



Such high-powered credit would enable private lenders to expand the money supply for feasible private sector projects by discounting their "eligible" asset acquisition loan paper with the central bank. This expansion of the money supply could continue as long as underutilized resources, people and technology are available for supplying more marketable goods and services to the economy. "Pure credit" would thus free the economy to grow to the full physical limits of its workforce, available resources, technology, and the projected additional buying power of new domestic and foreign consumers.

After each increment of new capital has paid for itself from the future earnings (future savings) that it produces, effective demand and effective supply would be synchronized by normal market forces—and this would continue to do so as long as the new capital became a source of an expanded income for the poor and those in the middle-class who today do not have adequate and secure incomes to meet their needs. Binary economics would enable them to produce and earn more as owners of "procreative" capital in order to meet these needs.

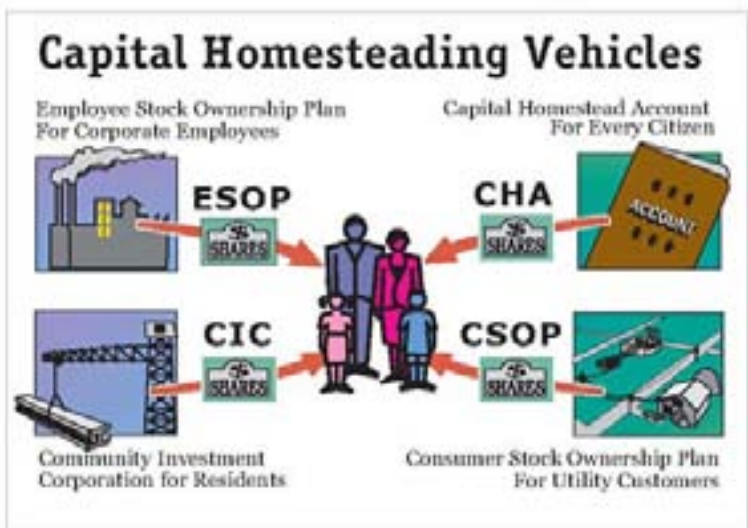
From the standpoint of corporate productiveness, the binary economics approach would build all increases in capital productiveness (*i.e.*, value added by capital assets) into workers and other non-owners. New owners would then be entitled to all the income increases attributable to their growing shares of corporate ownership. Artificial pressures for increases in labor and welfare incomes that add to costs and therefore go into the price of products sold (*e.g.*, more pay for less work) would tend to diminish. Removing artificial restraints on capital creation would enable output to soar.

Once the cost of creating such capital is liquidated and the new money is cancelled out, the productive assets continue to produce wealth and incomes for its owners many times their original formation cost. Hence, where capital incomes are distributed broadly within a nation of owners, prices can eventually be reduced, while making the economy as a whole work more efficiently and equitably.

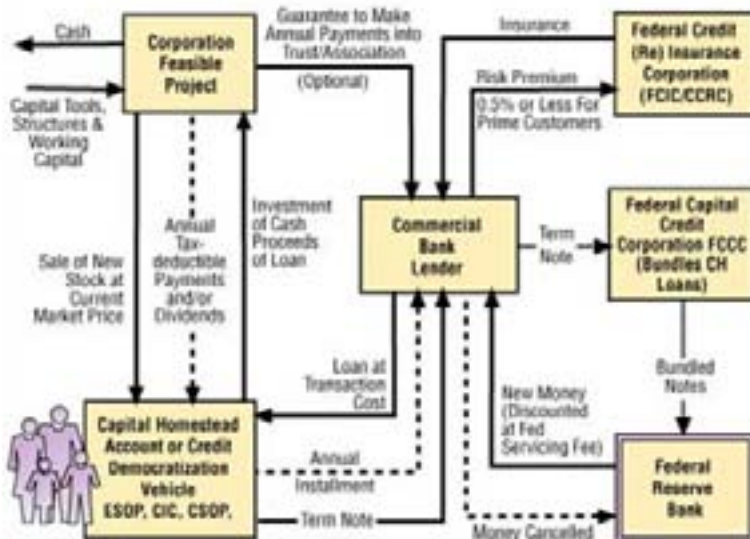
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## A Two-Tiered Interest Solution for Separating Good From Bad Uses of Credit

Should the Federal Reserve establish a two-tiered interest structure that sharply differentiates between participatory and productive uses of credit and exclusionary and/or nonproductive uses of credit? Under such a system, the first or higher tier, as at present, would be based on market-determined yields on already accumulated savings available to the economy ("old money"). Interest rates on old money would contain whatever "inflation premium" is appropriate to offset the direct and indirect inflationary effects of present monetary, fiscal, employment and income maintenance policies. The lower tier would be based upon "new money" created exclusively for financing private sector capital expansion in ways that democratize access to future capital ownership and profits, a counter-inflationary process the Center for Economic and Social Justice calls "Capital Homesteading."<sup>9</sup> As illustrated below, Capital Homesteading would provide all citizens with on self-liquidating capital credit to purchase new and transferred capital secured by future profits of viable enterprises.



## Creating Money for Capital Homesteading



The lower tier of expanded bank credit for Capital Homesteading projects would be grounded on a Federal Reserve discount rate or "service fee" of 0.5% or so to cover all central banking costs. The markup above each bank's cost of money (estimated at 2 to 4% for low-risk capital credit) would be market-driven, based wholly on (1) the risk of loan default (the "risk premium"), (2) the cost of administering the loan, and (3) a reasonable profit for the lending institution in competition with other lenders.

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### Capital Homesteading: A New Vision for the New Millennium

Following the precedent established for decentralizing land ownership under the homestead acts of the 1860s, the nation should now adopt a Capital Homestead Act to share in a totally voluntary way the ever-expanding capital frontier resulting from the continuing advances of modern labor-saving technology. Under Capital Homesteading as a basic pillar of economic policy, the focus of politics will shift to the monetary, banking,

insurance, tax and inheritance law reforms needed to create a nation where capital ownership is as accessible to every citizen as the political ballot. As such, the focus would be concentrated on dismantling legal and institutional barriers to more equal ownership opportunities.

All or a major portion of the \$2 trillion of the annual "growth ring" of U.S. productive capital can and should be financed through loans made to Treasury-qualified, tax-exempt Employee Stock Ownership Plan (ESOP) trusts and similar Capital Homesteading vehicles and secured by future enterprise profits. These other vehicles for democratizing access to capital credit would include Individual Stock Ownership Plans (ISOPs) to enable all American citizens and families to invest in a diversified portfolio of newly issued shares in well-managed and economically viable new and expanding enterprises, Community Investment Corporations (CICs) for putting ownership and control over local land in the hands of local citizens and Consumer Stock Ownership Plans (CSOPs) for spreading ownership of natural monopolies among regular customers.

An alternative approach to democratizing the capital credit needs of the U.S. economy is to enable every citizen to establish a Capital Homestead Account or "CHA" (a variation of the ISOP concept) at his or her local bank to receive direct personal access to capital credit as a fundamental right of citizenship. By putting more personal choice in the hands of new owners, their governance rights would likely be enhanced over top-down approaches to Capital Homesteading. With access to monetized credit through a CHA, each citizen from birth would have the funds to invest, with the help of an investment advisor, in full dividend payout shares of 1) the company that he or a member of the family works for, directly or through an ESOP, 2) the companies he regularly buys from, directly or through a CSOP, 3) a community investment corporation to link him to profits from and control over local land development, and 4) a variety of blue-chip growth companies with a history of profits. Capital incomes earned from dividends on one's CHA account offer a private sector supplement to prevent bankruptcy of the pay-as-

you-go Social Security system. Under conservative projections, a citizen could accumulate from birth to retirement a tax-sheltered estate of \$200,000. Furthermore, over that period, he would receive dividend income totaling over \$750,000, and at retirement an estimated annual CHA dividend income of \$30,000.<sup>10</sup>

If lack of collateral is one of the major barriers to closing the wealth gap between the rich and the poor through the democratization of capital credit, how can this collateralization barrier be overcome? A substitute is needed for the collateral generally required by lenders to cover the risk of default. That substitute would be a system of credit insurance and reinsurance.

Lenders making "qualified" loans could either self-insure or pool the "risk premium" portion of debt service payments by insuring with commercial capital credit insurers against the risk of default, perhaps 80% to 90% of the unpaid balance. To spread further the risk of loan default, these commercial insurers could come together to establish a Capital Credit Reinsurance Corporation ("CCRC"). Some of the CCRC's reserves could be provided in the form of investments by the already wealthy. Or a portion of the reserves could be provided by the Federal, state or local governments, but only if the CCRC is structured to avoid the unlimited liability that taxpayers were exposed to by making the Federal Government "the insurer of last resort" of failing savings and loan banks in the 1980s.

To further support the CHA, a National Capital Credit Corporation (NCCC) could be set up, similar to Fannie Mae and Freddie Mac, to package and set national standards for insured, self-liquidating capital loans and then discount these loans at the discount window of one of the 12 regional Federal Reserve banks. The Federal Reserve would treat insured CHA loan paper like government debt paper as substitute backing for the U.S. currency.<sup>11</sup>

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## Legislative Reforms to Create A More Just Market Economy

After hearings devoted to careful scrutiny of Kelsonian concepts and program reforms,<sup>12</sup> the Senate and House Banking Committees should enact legislation designed to:

(1) Establish a public or quasi-public Capital Credit Reinsurance Corporation (or encourage private insurance companies to perform this function) to insure banks, insurance companies, and other lenders who make loan financing to Employee Stock Ownership Plan (ESOP) Trusts and similar credit mechanisms, such as the ISOP, CSOP and CIC. (This would be similar to the way the Federal Housing Agency insures mortgages on home financing but without making the government the insurer of last resort.)

(2) Amend Section 13 of the Federal Reserve Act to mandate that the Federal Reserve Board and Federal Reserve Banks increase the money supply responsively in ways that enable banks and other qualified lenders to make "qualified" Capital Homesteading loans on feasible (i.e., self-liquidating) projects by discounting the loan paper at a discount rate reflecting real Fed costs (*i.e.*, "pure credit" rates that exclude any inflation premium), pursuant to regulations to be adopted by the Federal Reserve System. The Fed might also require as a condition of eligibility that such loans be insured by capital credit insurers and, for more security, that the insurers pool their risks with a capital credit reinsurance facility.

(3) Establish a counterpart of Fannie Mae and Freddie Mac to set national lending standards and insurance criteria for Capital Homesteading loans, with the power to package loans made by qualified financial institutions for discounting with the Federal Reserve System.<sup>13</sup>

(4) Remove the power that the Federal Reserve now has to change directly the quantity of money in circulation through purchase and sale of government securities via the Open Market

Committee, thus preventing future monetization of government deficits and forcing government into the competitive market to fund government debt. It should be noted that the new money added for Capital Homesteading would substitute dollar-for-dollar with the reduction in open market purchases of government debt paper.

(5) Eliminate the power of the Federal Reserve to control growth of the economy by raising and lowering interest rates, thereby allowing all interest costs above the lender's "cost of money" under the two-tiered interest rate system to be set entirely by competitive market forces.

In effect, these new policies would amount to launching and promoting a counter-inflationary alternative to today's exclusionary and wealth-concentrating monetary policy. With new consumer power linked directly to the productiveness of new productive assets, the economy would grow at the full extent of its human and nonhuman capacity instead of being artificially constrained by the Federal Reserve System.

In contrast to conventional investment finance, which has systematically perpetuated monopolistic access to the ownership of new productive capital while limiting the economic participation of 95% of U.S. households to their technologically vulnerable labor inputs, ESOP and other Capital Homesteading financing technologies provide a more rational alternative for raising the consumer power of American workers on a direct and individual basis, without violating the overall economy's laws of supply and demand and as a trade-off to unjustified wage increases or perpetual income transfer schemes.

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### **Reconciling Binary Economics with the Classical Quantity Theory of Money**

As previously explained, Capital Homesteading depends on the responsiveness of a central bank's discount mechanism to the market-driven demand of the lending community, a demand that

originates with the unmet capital credit needs of a more broadly owned private enterprise sector. Some economists have raised the question as to whether such a transformation of monetary and credit policy would cause runaway inflation. This paper is intended to show that economic expansion that is consistent with the logic of binary economics will lead to long-term deflationary effects, but without the adverse consequences upon aggregate demand normally associated with periods of declining prices (e.g., overcapacity, unemployment, and reduced labor incomes).

Kelso's binary economic system, in sharp contrast to economies structured to distribute mass purchasing power exclusively through jobs and welfare redistribution, would link income increases directly with the productive contributions from new, expanded or transferred capital. This paper, however, will not discuss why traditional "productivity" theory leads to distortions in income maintenance policies, or why perpetual "cost push" and "demand pull" inflation is inevitable under traditional single-factor policies ("one man—one job"), nor will it explain other fundamental defects of government-subsidized "full employment" policies. (These points are fully covered in the previously cited basic writings on binary economics.) Rather, it will be demonstrated here that the use of monetized credit for enabling all persons to share equitably in capital ownership and capital incomes would conform to the classical quantity theory of money.



## Formula for the Quantity Theory of Money<sup>14</sup>

$$M \times V = P \times Q$$

(or  $M \times V = P \times T$ , where  $Q$  and  $T$  are different symbols for the same variable)

$M$  = Total stock of money in circulation (coin, currency and demand deposits)

$V$  = Velocity of money (the annual rate of use, determined by dividing the Net National Product [NNP] by the total stock of money in circulation [ $M$ ], or  $V = \text{NNP} \div M$ )

$P$  = Average price level (as defined in the econometric model used by the Federal Reserve)

$Q$  = Number of income transactions (also " $T$ ").

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### **Binary Economics is Based on Say's Law of Markets, the Input/Output Logic of a Market Economy**

Say's Law confirms the identity in a market economy between the market value of goods and services produced in a given time period and the aggregate purchasing power created out of the process of production and arising in the hands of the participants in production. More simply stated, "For every dollar spent, somebody gets a dollar in economic value." Under binary economics, each of the two basic factors of production—the human factor (labor) and the nonhuman factor (capital) produce wealth or income in the same physical, economic, political, and ethical senses.

There are thus two ways for an individual to derive an income from a productive activity. The most obvious is wages derived from the contribution of his labor. The other is through ownership of productive land, structures, machines and all tangible and intangible technologies devoted to the production of marketable goods and services. A person's "property right" in the nonhuman factor of production entitles him to receive the entire income or wealth produced by the thing(s) that he owns.

Of course, a free person also owns his own body, and thus has a right to the full fruits of his labor's contribution to the production process, which he can exchange voluntarily for his labor income, or wages. However, binary economics is careful to separate what is human from what is not. The value of the labor or capital contributed to the production process is determined by evaluating all human inputs and all nonhuman or capital inputs through the mechanism of open and competitive markets. These productive inputs can be measured individually by the value each adds as perceived by buyers in a freely competitive market.

Through expansions and transfers of capital under more innovative corporate finance, sounder tax and inheritance policies, and more realistic labor and income maintenance policies, the right to acquire capital and receive income through capital ownership would be made accessible to the masses of mankind, who today are systematically barred from effective ownership of capital.

The logic of an individual enterprise is demonstrated by double-entry bookkeeping. Increased "outtake" (*i.e.*, income) must be based upon increased production or distortions appear the books (and thus the business enterprise) are "out of balance" a simple observation about an economic reality.

An enterprise increases its profits by increasing production and sales and decreasing costs. Most managers do this by adding new or improved capital instruments, eliminating jobs, or both.

Binary economics carries the logic of double-entry bookkeeping and the nature of a firm's production advances to the level of an entire economic system. Viewing the entire economy, the summation of costs (*i.e.*, prices for all inputs) must always equal the summation of all labor and capital incomes derived from the productive process. In other words, every dollar of cost on one side of the national ledger represents someone's income on the other side. This mathematical identity is the essence of Say's Law of Markets.

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**At the national level, Say's Law of Markets is expressed in one of two interchangeable ways.**

Formulae for Expressing Say's Law at the National Level

(1) Flow-of-Product Definition of NNP:

$$\text{NNPF} = C + I + G$$

NNPF = Net National Product (the total money value of the flow of final products of the community).

C = Total spending for final consumer goods and services

I = Net capital investment (total capital investment less depreciation  $\pm$  changes in inventory).

G = Total government expenditures on goods and services (total government disbursements less transfer payments and interest on government obligations).

(2) Earnings or Income Definition of NNP:

$$\text{NNPE} = \text{EL} + \text{EC} + \text{ET}$$

NNPE = Net National Product (the total of factor earnings or income—wages, interest, rents, profits and transfer payments—that are the costs of production of society's final products).

EL = Total after-tax national earnings of labor (wages, salaries, commissions—*i.e.*, employment income).

EC = Total after-tax earnings of capital (profits, interest, rent—*i.e.*, property income).

ET = Total net government transfer payments (welfare, social security and other entitlements).

‘NNPF’ and ‘NNPE’ are simply different ways of expressing

the same thing:  $NNPF = NNPE = NNP$

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### **The Relationship Between the Quantity Theory of Money and Say's Law**

There is a direct connection between the quantity theory of money and the various measures of the net national product. Taking the two identities and solving for the common factor in the following way demonstrates how they relate to each other. Thus,

- 1)  $V = NNP \div M$  (From the definition of the velocity of money)
- 2)  $M \times V = P \times Q$  (The Quantity Theory of Money)
- 3) Substituting for  $V$  gives  $M \times NNP \div M = P \times Q$
- 4) Eliminating  $M \div M$  (*i.e.*, "1") from the equation leaves  $NNP = P \times Q$
- 5) Substituting identities gives,  $M \times V = NNP$
- 6) And therefore  $M \times V = P \times Q = C + I + G = EL + EC + ET$

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### **Application of the Quantity Theory of Money to an Economy Planned to Operate in Accordance with the System Logic of Binary Economics**

Binary economics challenges some of the most fundamental and widely held assumptions underlying conventional schools of economic thought. Among the fallacies exposed by Kelso are:

- the inevitability of economic scarcity,
- the absurdity of "full employment" of workers as an efficient, realistic and morally sound foundation for long-term national income distribution and human development policy,

- the notion that economic growth must be financed by past savings,
- the blind assertion that there is an inevitable trade-off between unemployment and higher prices (the "Phillips Curve"), and many other myths that hide the illogic and structural faults inherent in any market economy that fails to provide for the wide diffusion of ownership of capital—the second, and with advancing technology, the more productive factor of production. Prices are only driven up by higher market costs when there are actual, not artificial or politically induced, shortages of workers, technology and resources.

Few will doubt that there are many system "leakages" in the form of underutilized people, technology and resources. This represents untapped productive capacity that binary economics would add to the productive process.

Let us now match Kelso's assertions with the hard logic of the quantity theory of money.

How was it possible during the World War II era (1940-1945) for the U.S. economy to transform itself from a peacetime Depression economy with unemployment rates never less than 15%, to annual wartime growth rates of at least 13% per year, without causing runaway inflation, with little or no unemployment and with 13 million of America's most able-bodied workers removed from the labor force? Why cannot similar growth rates be sustained in a peacetime economy? The adherents of the so-called Phillips Curve—suggesting that there must be a trade-off between unemployment and inflation—say that this is not theoretically possible. Students of binary economics contend otherwise, pointing to the history of U.S. economic growth from 1865 to 1895, with industrialization blossoming and price levels declining. More compelling is the logic and untapped growth potential of the Kelsonian binary growth model. An economy transformed according to Louis Kelso's binary economic growth model and his principles of economic justice would radically unharness the full productive

power of modern technology and create directly the expanded private consumer power for sustaining and justifying vastly accelerated peacetime growth rates.

Kelso offers a two-pronged approach for stemming inflation. First, Kelso logically and directly attacks the multiple causes of inflation under today's inefficient national economic game plan, including ever-rising government costs and the deficit financing of welfare and warfare, plus other nonproductive, resource-wasting activities; excessive consumer debt for people with insufficient present incomes; ever-rising labor costs in the face of decreasing labor (as opposed to capital) productiveness; growing waste of labor and corporate productiveness caused by the demotivation and alienation of millions of potentially productive workers by the injustices, absurdities, and opportunity barriers structured into contemporary economies.

The second prong of Kelso's program would modify our corporate, labor, government planning, taxation, and financing institutions to remove structural barriers to broader capital ownership and revive competitive market forces and faster rates of growth. It would adopt incentives for accelerating capital formation through means that would expand the base of capital ownership and build capital incomes incrementally and in reasonable quantities into the 95% of individuals and families for whom significant capital ownership is virtually impossible to attain today.

Let us now see how the classical quantity theory of money would apply to such a planned ownership program. By combining all the variables in the identity given above, we get,

$$M \times V = P \times Q = \text{NNP} = C + I + G = EL + EC + ET$$

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### **Assumptions for Analyzing the Formula**

$$M \times V = P \times Q = \text{NNP} = C + I + G = EL + EC + ET$$

1. Government spending (G) would be held constant. Any future reductions in welfare and subsidy spending as current recipients begin receiving paychecks and, within a few years, dividend checks under the Capital Homestead Act, might first be applied toward retiring the national debt incurred in the deficit financing of war and welfare over the last 80 years. (In actuality, a strong argument could be made that G would be reduced under a healthier and expanding economy.) Thus, all increases ( $\Delta$ ) to the nation's output (NNP) would result from added consumer spending (C) and expanded investment (I):

$$\Delta \text{NNP} = \Delta C + \Delta I + G$$

2. Unit costs of labor would be assumed to remain constant for the economy as a whole. The reason is that the new policy would eliminate coercive, mercantilist and monopolistic influences on market wage rates by shifting increases in incomes from fixed wages and entitlements to variable increases based on expanded productiveness of assets and widespread sharing of ownership profits. Thus, increased purchasing power would be directly tied to increased capital incomes, with prices and wage rates set by market forces, rather than through artificial schemes and income redistribution.

Assuming further that a new ownership-based social contract for workers is in place as a major component of a national Capital Homesteading strategy, the nation's supply of market-oriented productive labor will expand as artificially created and subsidized jobs are eliminated, as fixed labor rates become set by global market forces (rather than by political clout), and as barriers to labor mobility and global free trade are lifted. To build a broadly-owned, vastly expanded and more productive market economy, fixed wages would have to be justified by each person's market-determined labor value, opening up enhanced income and profit sharing opportunities for the unemployed, the underemployed, the handicapped, the elderly and others whose creative potential is now being suppressed by outdated and confused economic policies.

3. Total net government transfer payments (T) would be assumed to remain constant.

4. All future increases in total national incomes or net national product (NNP) would be tied directly to marketable production increases that take the form of increases in employment incomes (EL) and increases in ownership incomes (EC), as determined by competitive market forces and free mobility of workers and invested capital:

$$\Delta \text{NNP} = \Delta \text{EL} + \Delta \text{EC} + \Delta \text{T}$$

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### Analysis

Based on the above assumptions, all growth in net national product (NNP) or, in terms of the quantity theory of money,  $P \times Q$ , would be based on increased consumer spending (C) or increased investment (I), or some combination thereof. However, I is a derived demand, dependent wholly on overall projected or perceived increases in C. (See Harold Moulton, *The Formation of Capital*, Brookings Institution, 1935, p. 42.)

Since all increases in labor and property incomes, EL and EC, would be systematically channeled under the binary growth economic model to non-affluent persons, overall production could be rapidly expanded to the fullest physical and technological potential of the U.S. economy. The currently "non-wealthy" by definition have a highly positive propensity to consume and a largely unsatisfied proprietary desire. Thus underconsumers (whose Capital Homesteading assets would be independently accumulating through "future savings" earned as the assets pay for themselves) should be encouraged to spend all their current incomes to meet unfulfilled consumer needs, with the exception perhaps of a small amount set aside to meet household emergencies. Under Capital Homesteading the new owners would be "forced" to save to acquire their newly issued ownership shares since their future EC incomes would initially be used to repay the capital acquisition loans.<sup>15</sup> The limits of C



would be the sum of projected EL plus EC remaining after the formation costs of each new increment of capital are paid. Taking interest payments into account, payback is normally within five to seven years of acquisition.

As was experienced during the 13% annual growth rates during World War II, when maximum market demand for non-consumer-destined production was artificially sustained by government, it is estimated that annual growth rates of at least 6% under the binary growth model would be entirely feasible. Expanded bank credit would become available for expanding productive capacity to the fullest extent of underemployed people and underutilized technology, and U.S. industry itself would be pumping marketing power directly and systematically into its potential private customers through a private sector income distribution system linked to the payrolls and dividend rolls of each firm in the system.

Redistribution of income would become increasingly unnecessary. The accumulated savings of the already affluent who today enjoy monopolistic access to future capital ownership would become free to be channeled through the banking system to provide productive credit for those Capital Homesteading projects which do not meet the requirements for financing through the Fed's pure credit discount mechanism, thus further contributing to expanding the capital ownership base.

As a preliminary step to meeting such industry-generated expanded demands for consumer goods and services, industry would have to increase greatly its capacity to produce more. Expanding to full production can only be achieved by accelerating the rate of new capital formation (I) and by operating new and existing enterprises at their fullest potential.

The Capital Homestead Act offers a workable means for monetizing such expanded investment rates through our national banking system, without relying on the accumulated savings of the already wealthy (who by definition already derive sufficient EL and EC to satisfy fully their consumer needs). Without the

Capital Homestead Act, all newly created capital would flow automatically into a relatively stationary ownership base, as it has since the beginning of the Industrial Revolution. This does nothing but foment more social disorder and more governmental intervention with every expanded use of technology.

At the microeconomic level, that of the individual business enterprise, capital is never added unless it will pay for its own formation costs out of future earnings of the investment itself (EC), generally within a few years. Thereafter it continues to produce wealth and income in amounts that may be ten, a hundred, even a thousand times its original investment costs (I). This wealth and income flows to whomever had access to the ownership financing used to form the new capital. The Capital Homestead Act makes this ownership financing, with its self-liquidating logic and immunity from personal risks of corporate finance, available to the masses, where it was formerly limited to present owners.

Since most increases in wealth production are attributable to unit increases in the productiveness of capital (with a corresponding decrease in the relative productiveness of labor), unit labor costs under the binary growth model would begin to stabilize and might even be reduced as displaced workers began to share the fruits of advanced labor-saving technology. Once unit labor costs become stabilized as workers receive rising dividend incomes after the formation costs of new capital are paid for, a uniquely socially beneficial deflationary effect would result: total output of wealth will have expanded at lower overall production costs. This is because profits (EC) represent a residual of corporate earnings after all other production costs are met. (On the other hand, where there are shortages of certain forms of work that cannot be performed by machines, or where affluent workers choose leisure over economic work, market forces will naturally bid up the costs of labor.)

With access to two sources of personal income, EL and EC, all potential customers of the overall corporate sector could afford to pay for all new consumer goods and services (including the

costs of providing environmental protections and sustainable, nonpolluting energy technologies). The price of each product sold would represent total labor incomes and total capital incomes distributed directly through the enterprises involved to all participants in the productive process. Supply and demand at the market place would be matched, no matter how fast production levels expanded. Prices might even be reduced with no harmful economic effects to the new owners. In fact, an economy might even find itself competitive once again in fields where its labor costs had become out-priced in world markets.

Viewed in the context of the quantity theory of money, increased consumer spending (C) and increased investment (I) would necessarily lead to an increased volume of income transactions (Q) in the overall economy:

$$P \times Q = C + I + G$$

Assuming a national policy to maintain stable or lower prices (P), we can see from the formula

$M \times V = P \times Q$  that either the total supply of money in circulation (M), or the velocity of circulation of money (V), or both, would have to increase in order to accommodate increased Q (Q):

$$M \times V = P \times Q$$

It makes no difference how rapidly Q was expanding, as long as Q represented new capital goods or new consumer products actually placed on the market where willing customers have sufficient job incomes (EL) or sufficient property incomes (EC) to purchase such products:

$$P \times Q = EL + EC + ET$$


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## **Anticipating Short-Term Problems in Transition to A Binary Economy**

One note of caution is in order, however. While a growing economy needs a growing money supply, there is a slight technical lag between the time that the banking system creates money for new capital acquisitions and the time that such productive assets are actually placed in production and begin to produce income to complete the credit cycle. This has a minor and temporary inflationary effect, but one that is more than offset by the long-term counter-inflationary impact of the binary growth model.

The key to understanding this author's optimism is the recognition that the present economic system fosters many leakages and enormous wastes of human creativity, commercializable advanced technologies and nonproductive uses of natural and man-made resources. The binary growth model would close most of these leakages and reintroduce these wasted resources for the production of marketable goods and services. This very logic of the binary growth model would thus raise the physical production and sales of marketable goods and services far beyond current levels without raising production costs in the short run, and by actually lowering production costs over the mid- to long-term. Moreover, any minor adverse effect would be counterbalanced, even in the short-run, by reducing structural inflationary pressures in today's economy caused by:

- continually rising labor costs in the face of a continuing displacement of labor inputs resulting from technological improvements,
- more "created" jobs on government and subsidized payrolls to absorb technologically displaced workers who are unwilling or unable to find satisfying private sector jobs,
- higher taxes at all levels of government,
- expanded welfare and unemployment rolls,

- artificial consumer demand created by easy access to consumer credit,
- unnecessary and inefficient barriers to enterprise competition,
- vastly underutilized U.S. plant capacity and U.S. manpower,
- costly resistance by organized labor to automation,
- needless strikes, slowdowns, and worker sabotage,
- continuing government deficit spending and rising interest for non-economically productive spending covered by the national debt,
- and many other "demand-pull" and "cost-push" pressures on current price levels.

More enlightened national fiscal and monetary policies, geared to "full ownership" and "full and sustainable production" (instead of artificial and dehumanizing expedients to achieve "full employment") could easily adjust for this minor problem. In no way, however, does it justify any further delays in restoring health to the U.S. economy and greater efficiencies and fairness in how we distribute capital ownership and mass purchasing power.

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## **Conclusion**

Kelso's binary economic system and the social technologies that would become available under the Capital Homestead Act offer a new route to accelerated, quality growth without inflation in the U.S. economy. The logic and justice of binary economics offer an improved framework to move America ahead in accordance with its original founding principles, guided by customs, legal principles, institutions and traditions that are

embedded in the fabric of this nation. The American Dream offered a revolutionary vision to all citizens to encourage each person and family to gain income self-sufficiency through ownership of productive assets. Binary economics offers a new paradigm to restore that vision, voluntarily and at no one's expense.

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## Notes

1 Louis O. Kelso and Patricia Hetter, *Two-Factor Theory: The Economics of Reality*, New York: Random House, 1967, p. 54.

2. Frederick Merton, *The Rothschilds, A Family Portrait* (New York: Atheneum, 1962).

3. Quoted in Salvador Araneta, *Bayanikasan, The Effective Democracy for All* (Manila, Philippines: AIA Press, 1976).

4. In his book, *Top Heavy: A Study of Increasing Inequality of Wealth* (New York: Twentieth Century Fund, 1995), Dr. Edward N. Wolff of New York University mentioned that "in 1992, the financial wealth of the top 1 percent was greater than the combined wealth of the bottom 90 percent." Based on his later analysis of the Federal Reserve's *Triennial Survey of Consumer Finances*, Dr. Wolff stated that "the nation's 400 richest families grew by an average of \$940 million each from 1997 to 1999, whereas over a recent 12-year period of 1983 to 1995, the modest net worth of the bottom 40 percent of households plummeted 80 percent." (See his paper "Recent Trends in Wealth Ownership" presented at a conference on Asset Ownership in the United States at the New York University, December 10-12, 1998.) Globally, the trends are worse. Jeff Gates in *Democracy at Risk: Rescuing Main Street from Wall Street* (Cambridge, MA: Perseus Publishing, 2000), cited studies showing that "the world's two hundred richest people more than doubled their net worth in the four years to 1999, to more than \$1 trillionan average \$5 billion each.... This combined wealth ... now equals the combined annual income of the world's poorest 2.5 billion people" (p. xiv).

5. See *The Capitalist Manifesto*, Louis O. Kelso and Mortimer J. Adler, New York: Random House, 1958; *The New Capitalists: A Proposal for*

*Freeing Growth from the Slavery of Savings*, Louis O. Kelso and Mortimer J. Adler, New York: Random House, 1961; *Two-Factor Theory*, Louis O. Kelso and Patricia Hetter, New York: Random House, 1967; *Democracy and Economic Power: Extending the ESOP Revolution*, Louis O. Kelso and Patricia Hetter Kelso, Lanham, MD: University Press of America, 1991; and *Binary Economics: The New Paradigm*, Robert Ashford and Rodney Shakespeare, Lanham, MD: University Press of America, 1999. Other articles on binary economics by Robert Ashford include: "A New Market Paradigm for Sustainable Growth: Financing Broader Capital Ownership with Louis Kelso's Binary Economics," Volume XIV, *Praxis*, The Fletcher Journal of Development Studies, pp. 25-59, 1998; "Louis Kelso's Binary Economy," Volume 25, *Journal of Socio-Economics*, pp. 1-53, 1996 (available on westlaw.com in its jjsocoecon data base); and "The Binary Economics of Louis Kelso: The Promise of Universal Capitalism," 22 *Rutgers Law Journal* 3, 1990 (available on the CESJ website and at [www-camlaw.rutgers.edu/publications/lawjournal/ashford.htm](http://www-camlaw.rutgers.edu/publications/lawjournal/ashford.htm)). A compendium of writings by many authors on this subject can be found in *Curing World Poverty: The New Role of Property*, John H. Miller, ed., St. Louis, MO: Social Justice Review, 1994. For a sympathetic analysis from a conventional Keynesian perspective, see Stephen V. Kane, "The Theory of Productiveness: A Microeconomic and Macroeconomic Analysis of Binary Growth and Output in the Kelso System," 29 *Journal of Socio-Economics*, 541-563, 2000.

6. John W. Kendrick, "Productivity Trends and Recent Slowdown: Historical Perspective, Causal Factors, and Policy Options," *Contemporary Economic Problems*, Washington, DC: American Enterprise Institute, 1979; also R. M. Solow, in *Mathematical Methods in the Social Sciences*, 1959, pp. 89-104, K. J. Arrow, S. Karlin, and P. Suppes, eds., Palo Alto, CA: Stanford University Press, 1960. Also: Edward Denison, "Accounting for United States Economic Growth: 1929-69," Washington, DC: Brookings Institution, 1974, and *Accounting for Slower Economic Growth: The United States in the 1970s*, Washington, DC: Brookings Institution, 1979.

7. See chapter 4 of *Curing World Poverty: The New Role of Property*, op cit.

8. As of the third quarter of 2000, the annual increment added to America's productive asset base of the nondefense economy was \$2.07 trillion, consisting of:

New equipment and software, private sector	\$1,162.4 billion
Nonresidential structures, private sector	286.6 billion
Residential buildings, private sector	362.3 billion
New equipment and software, public sector	108.0 billion
Structures, public sector	<u>154.5</u> <u>billion</u>
	<b>\$2,073.9</b> <b>billion</b>

With a U.S. population of 275.3 million in 2000, this amounts to \$7527 of new productive assets for each man, woman and child in America. (Source: *The Economic Report of the President*, January 2001, tables B-19 and B-21.)

9. A proposed comprehensive national ownership strategy is described in *The Capital Homestead Act: National Infrastructural Reforms to Make Every Citizen a Shareholder*, Norman G. Kurland, Arlington, VA: Center for Economic and Social Justice, 1999. (Available from CESJ's web site at <http://www.cesj.org>.)

10. Norman G. Kurland, "Saving Social Security," June 1, 2000, an occasional paper of the Center for Economic and Social Justice available from the CESJ web site, op. cit.

11. This idea was first advanced by Dr. Norman A. Bailey, former Special Assistant to President Reagan for International Economic Affairs, in his article, "A Nation of Owners" (*The International Economy*, September-October 2000).

12. Described in such books as *The New Capitalists* (with Mortimer Adler), op.cit., and *Two-Factor Theory: The Economics of Reality* (with Patricia Hetter), op.cit. See also testimony of Mr. Kelso and Norman G. Kurland before the Financial Markets Subcommittee of the Senate Committee on Finance on September 24, 1973. The most detailed description of binary monetary reforms can be found in this author's article, "The Federal Reserve Discount Window," which



appeared in the Winter 1998 issue of *The Journal of Employee Ownership Law and Finance*, Oakland, CA: National Center for Employee Ownership. (Also available from the CESJ web site, op. cit.)

13. This idea was also conceived by Dr. Norman A. Bailey. See f.11.

14. Paul Samuelson, *Economics*, 6th edition, New York: McGraw-Hill, 1964, chapter 14.

15. In fact, Harold Moulton pointed out in *The Formation of Capital* (Washington, DC: Brookings Institution, 1935, pp. 117-8) that forcing the non-wealthy to reduce their consumption incomes to acquire capital assets is counterproductive. In contrast to "pure credit" repayable with "future savings", the self-denial approach to asset accumulation reduces the feasibility of all growth assets (I), whose financing was based on the assumption of increased consumer demand (C). Cf. Samuelson, op.cit., p. 47.