

Economic Justice Monitor

Breathing New Life Into Old Man River City

Nearly 25 years ago, renowned choreographer and human rights advocate Katherine Dunham called on design scientist Buckminster Fuller to create a model city of the future for her fellow residents of East St. Louis, Illinois, one of the poorest areas in the U.S.

Winning the support of local residents, Fuller conceived an environmentally sound, net energy-producing complex in the form of a terraced moon crater housed under a mile-wide umbrella dome. Named "Old Man River City" (OMRC), it was designed to provide a high quality of life for up to 250,000 residents and workers. Because of financial and other hurdles, however, Old Man River City remained a dream.

But the dream persisted, thanks to the persistence of community leaders and disciples of Bucky Fuller's design science revolution. In January, CESJ friend **Dr. Bill Perk**, a long-time associate of Fuller and professor at Southern Illinois University-Carbondale, invited directors **Dawn and Rowland Brohawn** to SIU's Edwardsville campus to introduce CESJ's expanded ownership concepts in a four-day conference on Old Man River City. Participating in an intensive, idea-generating "syntegration," they were joined by community leaders and international experts in the fields of architecture, urban planning and engineering. The group discussed issues of quality of life, economic development and financing—and how to make OMRC a reality.

Twelve guiding statements were hammered out by the participants. Dawn and Rowland gained the group's acceptance of two key principles: 1) Power follows Property—if you want to empower the citizens of the community, ensure that every individual and family has access to the means to acquire productive property, and 3) Access to money and credit determines who will own the future.

In addressing how OMRC could be financed, CESJ's concept of the commu-

nity investment corporation (CIC) was outlined. As part of a carefully orchestrated demonstration, this professionally managed, for-profit corporation would be used to acquire, plan, develop, sell and lease the land upon which OMRC is built. Unlike conventional land development corporations which built planned communities like Columbia, Md. and Reston, Va., shares of the CIC would be owned and controlled by community residents and workers. The CIC would borrow, on behalf of its resident- and worker-shareholders, sufficient low-cost, non-subsidized credit through the discount window and member banks of the Federal Reserve System.

CESJ's ideas were met with great interest, particularly from State Representative and Assistant House Democratic Leader **Wyvetter Younge**, who for the past 25 years kept the OMRC project alive. Rep. Younge was given a copy of CESJ's *Curing World Poverty: The New Role of Property* and a detailed paper on the CIC. She later introduced Dawn to City Manager **LaMar Gentry**, who was also given the CIC paper.

Rep. Younge reiterated to the group her interest in exploring CESJ's ideas on the CIC and Federal Reserve strategy. She later wrote to Dawn in February that she had been reading CESJ's book and emphasized, "**I would like the Center to help structure an economic empowerment plan linked to the financing of OMRC.**"

Through Rep. Younge, the participants were invited to the home of her friend, 85-year-old dance legend **Katherine Dunham**. Ms. Dunham led a toast to the success of Old Man River City, a dream she had brought to the people of East St. Louis, 25 years ago. ▲



CESJ's Rowland and Dawn Brohawn (2nd row, center) join OMRC syntegration team.

Expanded Ownership Raised at United Nations Conference

Sometimes the best way to plant an idea is to ask a question. CESJ volunteer **Michael Greaney** attended the United Nations Conference on Social Development in Copenhagen, Denmark (March 6-12) as a reporter for the Global Family News Network under the auspices of Human Life International.

Focusing on economic empowerment of the person, Mike asked questions in various press conferences, including those of the International Businessmen's Forum, the World Bank, the International Monetary Fund, and the Philippine, Hungarian, and Swedish delegations. He also distributed a paper on CESJ's alternative to the U.N.'s redistributive approach to social development.

Addressing **Ma. Nieves Roldan-Confesor**, Secretary of Labor and Employment of the Philippines, Mike asked what was being done to enable more citizens to participate in economic growth through widespread ownership of productive assets. Secretary Roldan described briefly the Philippine land redistribution program, the breaking up of monopolies such as telecommunications, and the privatization of government owned companies. (These programs have been criticized as fostering crony capitalism and corruption.)

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Our Core Values

Successful organizations start with people firmly committed to a set of core values, which cannot be compromised without weakening the organization. CESJ's strength, unity and programs flow from our founding principles, agreed upon by consensus from our first meeting in April 7, 1984. Our core values were developed to guide us in our work, to attract others sharing these values and to serve as the very basis of CESJ's existence.

We think that our core values, once understood, are universally appealing. We see this reflected in the broad diversity of the backgrounds of those who come together because of these shared values. The essence of our founding principles has not changed from the founding of CESJ. But, as we discuss them together and with others, we will continue to refine and clarify our values by consensus. The following are CESJ's core values:

- There is an Absolute Source of all creation and of all absolute values such as Truth, Love and Justice, which represent the ultimate ends of human actions. Most people call this Absolute Source, God.
- Nothing should stand between God and the human person.
- There is a hierarchy of human work: The highest form of work is perfecting the social order to elevate each person in his or her relationship to God. The lowest but most urgent form of work is for sheer personal survival.
- In interacting with nature to promote one's own perfection, every person must respect the rest of creation. Each human being, a steward of nature, remains responsible for conserving natural forms of existence, each of which is interdependent and shares the same divine origin with humanity.
- Under the highest sovereignty of God, all sovereignty begins with the human person—not social institutions such as the State, the business corporation or the labor union.
- The essential means to achieve the sovereignty of the person include such inalienable human rights as the right to life, liberty, and access to productive property and free markets, equality of opportunity, and the secret ballot. These rights—including the rights of property—are not ultimate ends in themselves, but they are intermediate ends or fundamental means to enable each person to pursue Truth, Love and Justice.
- People create tools, shaped from the resources and energies of nature, to support the economic and social sovereignty of the person. Through private property ownership, each person can become master of the technology needed to realize his or her fullest human potential and dignity.
- People also create social institutions—including the State, the business corporation and the labor union—each as a highly specialized “invisible tool” designed to serve a highly specialized social function within a just social order. Institutions, as organized expressions of society's values and goals, largely determine the quality of each person's individual and social life. As historical creations of humanity carrying within themselves the wounds of history, institutions are continually in need of healing and perfecting.
- The highest responsibility of each person is to pursue absolute values and to promote economic and social justice in his or her personal life and all associations with others.

Social Scientists Hear CESJ's “Third Way”

A CESJ delegation participated in the annual conference of the Society of Catholic Social Scientists (November 4-5, 1994) at Franciscan University in Steubenville, Ohio. The conference was attended by scholars from a wide range of disciplines including law, economics, sociology, philosophy and theology.

Fr. John Miller (Editor, *Social Justice Review*) and Fr. Matthew Habiger (President, Human Life International) spoke on a panel with CESJ President Norman Kurland. They discussed the economic foundations for reconstructing the moral order, as explored in CESJ's *Curing World Poverty*. Manning a CESJ booth, Mac McGrath (Woodbridge, Va.), Bill Schirra (Pittsburgh, Pa.) and Bob Woodman (Cleveland, Oh.) answered questions about the principles and programs of CESJ, and sold copies of *CWP*.

Speaking as panel moderator, Fr. Miller emphasized that effective solutions to the scourge of poverty need to recognize as a fundamental human right, access to the means of acquiring and owning productive property. This, he said, is ignored under traditional capitalism and socialism.

Fr. Habiger in turn stressed, “if we are to promote the family we must promote a just economy.” A fundamental reality in the modern world, he observed, is that “automated capital instruments are in-

creasingly the dominant factor in the production of wealth.” The crucial mechanism for enabling non-owning individuals and families to acquire these capital tools, he said, is access to capital credit.

“If you're going to solve the problems of distribution, you have to solve the problems of participation,” Norman Kurland stated in his presentation. Norm noted that where there are institutional barriers to full participation as both a worker and owner, the resultant imbalances of wealth, income and power inevitably create political pressures for redistribution of income from the haves to the have-nots.

Norm described some of the practical tools devised by lawyer-economist and ESOP inventor Louis Kelso to enable those who have insufficient savings or collateral to become owners of significant capital accumulations. Under CESJ's proposed “Industrial Homestead Act,” tax and credit policies would encourage the use of expanded ownership financing vehicles, enabling each person and family to incrementally acquire an ownership stake in the growth of the economy.

Reactions to the panel were so enthusiastic that Bill Schirra arranged for a 2-hour follow-up session, attended by fifteen people, to allow further discussion of ideas raised at the formal panel. Norm summed up the experience, “We accomplished our mission.” ▲

CESJ's Ideas Presented at United Nations Conference

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Secretary Roldan-Confesor noted that developing countries such as the Philippines need to achieve growth rates of 10-15% in order to achieve an equitable distribution of wealth and ensure prosperity. Michael later gave Secretary Roldan a copy of CESJ's book *Curing World Poverty*, in which she expressed great interest.

During the joint press conference of the International Labor Organization and the U.N. Center for Human Settlements, Dr. Wally N'Dow, Assistant Secretary General of the U.N. Center for Human Settlements, admitted to Mike that little is being done by the U.N. to encourage widespread property ownership.

One problem, Dr. N'Dow noted, is limited credit and high interest rates. Mike

presented Dr. N'Dow with a copy of *Curing World Poverty*, explaining that it offered a comprehensive approach (including specific tax and credit reforms) for enabling people lacking savings to acquire productive assets.

In an interview on Jordanian television and in a video-taped seminar he later delivered, Michael Greaney observed: “When people have only their labor to sell, and technology is displacing them from their jobs, what are they going to do when they can no longer gain a living income from wages? They must have access to productive property.”

[CESJ's 21-page response to the United Nations Draft Document on Social Development is available from CESJ for \$5.00.]

CESJ Delivers Expanded Ownership Message at Miami Pre-Summit Meeting

Through the initiative of CESJ members Carlos Gaston and Dr. José Mestre of Forum XXI (Miami, Florida), CESJ was invited to present its expanded ownership proposals at a conference on economic development and the social teachings of the Catholic Church. The conference, held in November at St. Thomas University in Miami, was a prelude to the “Summit of the Americas”, where 34 heads of state later met to chart a future common market of the Americas.

Co-sponsored by the Miami Herald, the St. Thomas conference was attended by top church leaders, businessmen’s organizations, and representatives from various universities. CESJ director Joseph Recinos travelled from Guatemala to de-

liver the speech prepared by Norman Kurland, who was unable to attend.

CESJ’s luncheon address stressed the impact of institutions and laws on human dignity and freedom. Chief among the social structures which affect the economic lives of citizens, CESJ contended, are those which govern access to money and productive credit—institutions such as the Federal Reserve System, International Monetary Fund and World Bank.

The policies of these economic institutions, CESJ explained, must be reformed to close the growing opportunity gap between the rich and poor. Financing vehicles such as employee stock ownership plans and community investment

corporations would turn non-owning workers and the poor into new owners of future economic growth in the Americas.

Fortuitously, Joe reports, he sat during dinner next to Cardinal Nicolas de Jesus Lopez Rodriguez, archbishop of Santo Domingo and Primate of Latin America. Joe described how expanded ownership is spreading in Latin America and around the world, and presented the Cardinal with a copy of *Curing World Poverty: The New Role of Property*. Listening intently, the Cardinal posed the need for a Spanish translation of the book, and suggested to Joe that a conference on expanded capital ownership be held in Latin America. Cardinal Lopez later sent a letter of thanks and support for CESJ’s work. ▲

(Copies of CESJ’s address, “Crossing the Threshold Toward a Just Common Market of the Americas,” are available for \$3.50.)

FOCUS ON THE FED: “The Magic 2.5%”

Six times over the last year, the Federal Reserve Open Market Committee led by Chairman Alan Greenspan, arbitrarily raised interest rates, ostensibly to cool an “overheated” economy. When the Open Market Committee convened in March, they decided (at least for the moment) that unemployment was high enough and housing starts low enough to allow the economy to escape another hike in the discount rate.

The sages of the Federal Reserve maintain that the U.S. economy must not grow faster than 2.5%, or inflation will result. Are they correct, or are they holding back the economy to the detriment of everyone but the bond traders and currency speculators on Wall Street?

Lane Kirkland, President of the AFL-CIO pointed out in a recent editorial that when the Fed raised rates in response to a drop in unemployment to 5.8 percent, it

may in fact have violated its legal obligation under the 1978 Humphrey-Hawkins Act to take steps to reduce unemployment whenever it is above 4 percent.

And many, including Lane Kirkland, predict that the Fed’s actions, based on questionable economic logic, will actually increase costs (as producers pass on their interest costs to consumers) and trigger a recession.

Should Americans blindly accept the Fed’s position in capping the U.S. economy’s sustained growth rate at 2.5%? How, after all, do they arrive at that magic number? Simply, according to the *Wall Street Journal*, by adding the annual growth rate of the labor force—1.5%—to the average yearly increase of worker productivity—1%. Speaker of the House Newt Gingrich, on the other hand, says that the economy should be growing at 5%. Who’s right?

The Fed has never explained how, with 13 million of America’s most able-bodied workers removed

from the work force and put in the military for fighting World War II, growth rates from 1940 to 1945 averaged about 15% per year—six times the cap set by the Fed. If we could have growth rates that high during wartime, why couldn’t we have comparable rates during peacetime?

In the coming issues of *Economic Justice Monitor*, CESJ will examine how present Federal Reserve policies have stifled real growth in the economy, empowered a non-accountable elite, fueled government deficits and widespread addiction to consumer credit, and erected barriers to widespread citizen access to productive credit.

We want CESJ readers to become aware of how the Fed makes the rich richer and the poor poorer, and how the Fed can be transformed to bring growth and justice to a market economy, without inflation. ▲

To start learning about the Fed, read Bill Greider’s *Secrets of the Temple: How the Federal Reserve Runs the Country* (which describes what’s wrong), and CESJ’s *Curing World Poverty: The New Role of Property* (which shows how to correct the Fed’s mistakes).



Milestones and Weathervanes

■ In an important step for the ESOP movement, the ESOP Association has announced the formation of a special task force on Access to Capital for ESOP Creation and Expansion. The task force will explore how mechanisms like the Federal Reserve discount window could expand ESOP access to capital credit in order to achieve the Association's vision of widespread employee ownership.

Notably, the invitation memorandum received by CESJ in January gives special acknowledgment to "ESOP pioneers Louis Kelso and Norman Kurland." The memo mentions their comprehensive plan, of which mechanisms like the ESOP are a central component, which would "restructure and democratize the American system of capital credit, focusing on the Federal Reserve System...." Also significant was the view expressed that the existing legal, economic and tax framework for ESOPs is "not nearly favorable enough to achieve the Association's vision."

To be chaired by Luis Granados, a member of CESJ and leading ESOP attorney, the task force is reaching out to pioneers in the ESOP movement, many of whom are members or friends of CESJ.

■ Employee ownership has become a prominent feature of Hungarian privatization, according to member Itil Asmon, a consultant working in Hungary. By the end of October 1994 the Hungarian privatization authorities had approved the privatization of 178 state enterprises through employee buyouts, with 12 more awaiting approval. In these transactions about 59,000 employees became owners of assets with a value of 36.7 billion Hungarian Forints (about \$US 343 million)—roughly 9% of all state assets privatized.

The average percentage of employee ownership in these ESOP companies is 52.8%. In 66% of these companies, accounting for 72% of the capital, employees gained majority ownership. From the beginning of 1993—when ESOP transactions really started taking off—until the end of October 1994, ESOP privatizations accounted for 22% of the 720 privatizations taking place during this period.

■ In a response to a Washington Times editorial citing the inefficiencies and rising rates of the U.S. Postal Service, Congressman Dana Rohrabacher (R-California), a CESJ friend and ESOP champion on Capitol Hill, wrote: "Clearly, it's time to introduce the Postal Service to the principles of competition and free enterprise by turning it over to its employees." He noted that Cong. Phil Crane (R-Illinois) has introduced legislation (of which Rohrabacher was an original co-sponsor), that would make the Postal Service America's largest employee-owned company. Cong. Rohrabacher also stated in his January 18th letter to the editor, "Employee ownership may well be the most useful method for privatizing government agencies."

■ The perils of privatization without expanded ownership: A four-year study conducted by the Department of Elite Studies at the Russian Academy of Sciences found that more than 60 percent of the wealthiest millionaires in Russia, about 580 individuals, have reaped enormous profits during the transformation to a market economy, by leveraging their influence as high-level officials in the former Soviet government and Communist Party.

According to an article in the Washington Times (9/24/94, p. A1), the former communist officials exploited their high-level connections in state enterprises, banks, factories and government departments, amassing an average net worth of \$19 million, plus further millions of dollars, estimated by the study, of undeclared and

untaxed income.

In some of the most flagrant abuses of power, members of the nomenklatura were the only people allowed to convert their bank accounts into cash at a time when the practice was officially prohibited. The elite also profited from Soviet laws that established an artificially low currency exchange rate, allowing them through the early 1990s to pay as little as half a ruble for each U.S. dollar, when dollars were worth 30 rubles at commercial exchanges. And, the elite got a leg up in the real estate market. "All of the best buildings belonged to the Communist Party and the state," according to Olga Kryshtanovska, head of the department that conducted the study.

The study found that most private citizens in Russia remain unaware of how much wealth has been accumulated by former Communist elite, who quickly abandoned their ideological loyalties when they saw a golden opportunity to make a quick ruble.

■ CESJ extends a warm welcome to two new volunteers, Marie Kurland (Arlington, VA) and John McKinney (Arlington, VA). Marie brings tremendous management experience as former Administrator of Georgetown University Hospital's Department of Physical Medicine and Rehabilitation. John, who was the Executive Director of the National Capital Medical Foundation and Medical Administrator for several D.C.-area hospitals, will lend his expertise to improving the production and circulation of CESJ's newsletter and in developing our PR capabilities.

Testimonials on *Curing World Poverty*

"This is an intriguing approach to issues of vital concern.... The employee-owners of Avis look forward to the continued success and contributions of the Center for Economic and Social Justice."

Joseph V. Vittoria (Chairman and CEO,
Avis, Inc., Garden City, New York)

"I recently read *Curing World Poverty* and realized that this is really the only way to solve the problems in the world."

William Holt,
Morehead City, North Carolina

Institute for Policy Studies Hosts CESJ Seminar on "Third Way"

At the invitation of Dr. Marc Raskin, president and co-founder of the Institute for Policy Studies, a progressive Washington, D.C. think tank, CESJ conducted a seminar in September for IPS scholars. The main speaker, Norman Kurland, led a discussion on "A Third Way: Beyond Capitalism and Socialism."

Participating with IPS scholars Dr. Marc Raskin, Dr. John Cavanagh, Sara Williams, Michael Shuman and Thad Williamson, was an impressive team from the CESJ network: Mike Alexander (Dept. of Agriculture), Dr. Norman Bailey (international consultant and former Chief Economist of the National Security Council under President Reagan), Robert Best (President, Private Sector Initiatives Foundation and former Chief Economist of the Senate Finance Committee under Senator Russell Long), Dawn Brohawn (CESJ Director of Communications), sociologist Dr. Kathy Friedman, William Greider (columnist and author of best-selling *Secrets of the Temple: How the Federal Reserve Runs the Country*), Fr. Matthew Habiger (President, Human Life International), Dr. Jia Hao (President, Washington Center for China Studies), Kemp Harshman (President, The Clarendon Foundation), Rabbi Herzl Kranz (Silver Spring Jewish Center), and Thomas Simon (former Senior Administrator, U.S. Office of Personnel Management).

Prior to introducing Norm, Marc Raskin described "this new system of capital ownership" as a "link between the economy and work system, and the capacity of people to feel secure in their futures."

In his presentation, Norm discussed the principles of economic and social justice outlined in *Curing World Poverty*, and the political case for democratizing power and property. Touching upon CESJ's long-range proposal for an "Industrial Homestead Act," Norm offered CESJ's ideas for changing Federal Reserve policy to democratize access to capital credit as a fundamental means for broadening future ownership patterns and spreading economic power.

Columnist Bill Greider praised CESJ's ideas, commenting that "Norm and Louie Kelso have been teaching me for twenty years." He identified the "Catch-22" of today's credit policies: "The way most people accumulate wealth is through credit. The way they get credit is by having wealth." Kelso's concept of "pure credit" (i.e., newly created, asset-based credit backed by default insurance), Greider said, provides a way of creating collateralization status for allowing the non-owning citizen to become an owner.

Norman Bailey, a monetary economist, stated that one critical reform would be to forbid the Fed from monetizing public debt ("printing money") by buying treasury pa-

per, as it does presently through the Open Market Committee. Instead, he said, the Treasury Department should be required to borrow from the marketplace without the Fed's help and the Fed should begin monetizing loan paper from the productive sector, channeling new credit through its member banks to expanded ownership vehicles like ESOPs. The Federal Reserve could thus become the world's greatest engine for non-inflationary growth and widespread ownership of productive wealth.

A stimulating exchange ensued between the CESJ and IPS scholars on the political potential of the "third way" and how to build a broad-based constituency for expanded capital ownership. Kathy Friedman observed that the biggest obstacle to change is the difficulty people have in shedding old paradigms and belief systems.

In a letter sent to Norm after the IPS meeting, Mike Alexander stressed the need for follow-up action: "If we can forge greater political unity among this group, then I am certain ... we can put together and implement a strategy that can truly help to change this country. Clearly the time is right for the ideas that CESJ has so ably represented." ▲

[A videotape of the CESJ seminar at the Institute for Policy Studies is available from CESJ for \$20 postage paid, plus \$5 for orders outside the U.S.]

Curing World Poverty Update

■ John Cavanagh, a Fellow at the Institute for Policy Studies who attended Norm Kurland's September seminar on "the third way", sent copies of *Curing World Poverty* with his cover note to high-level contacts at the Center of Concern, the National Catholic Reporter, Sojourners, and to congressional aides on the staffs of U.S. Representatives George Brown and Richard Gephardt. Cavanagh commented in his letters: "I was extremely impressed by the array of proposals that Norm and his collaborators have put forward to ad-

dress the job crisis in the context of the deeper economic crisis. At a time when there are precious few practical proposals about how people will survive in a country and world of fewer decent jobs, this book is a welcome one."

■ CESJ member John Hoffmire (Lexington, Ma.) mentioned to us that during an ESOP consulting trip to Zimbabwe in January, "people were talking about *Curing World Poverty*," a copy of which was being circulated around one the USAID missions. Coincidentally, CESJ member

and USAID officer Helen Soos wrote us in December about her new assignment in Morocco, commenting: "I am passing [*Curing World Poverty*] around, and people are impressed with it!!"

■ The International Law Institute, affiliated with the Georgetown Law Center, is now including *Curing World Poverty* in its publications catalog, which is sent to 50,000 university and law school libraries, academics, and practicing lawyers around the world. The ILI describes CESJ's book as "a collection of papers

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News from the CESJ Network

■ On January 27, CESJ's Rabbi Herzl Kranz and Norman Kurland met with former Senator William Brock, to outline CESJ's expanded ownership proposals. They discussed reforming the Social Security System through vehicles such as the individual stock ownership plan, rebuilding cities through community investment corporations, and reactivating the discount window of the Federal Reserve System as a new source of liquidity for expanded ownership growth. Senator Brock, former Chairman of the Republican National Committee, seemed sympathetic with CESJ's ideas and mentioned that he had been very interested in reforming the Fed when he was in the Senate.

■ CESJ members Fr. John Kobza (Washington, D.C.) and Fr. Joseph McDonald (Centerville, Ohio) represented CESJ at the Archdiocesan Convocation on Justice and Peace, held in Baltimore, Maryland on March 4. The program was sponsored by the Campaign for Human Development. Manning a display table, they sold copies of CESJ's *Curing World Poverty*, distributed book brochures, and talked with attendees about CESJ. Fr.

John presented a copy of *Curing World Poverty* to William Cardinal Keeler, Archbishop of Baltimore and Chair of the National Conference of Catholic Bishops.

Cardinal Keeler (who exclaimed, "I want to read this!") suggested that CESJ contact John Carr, Secretary for the Section of Social Development and World Peace within the NCCB. Following up on March 6, Frs. Kobza and McDonald met with Mr. Carr who was pleased to receive a copy of CWP. Mr. Carr also mentioned that he was familiar with—and interested in—the ideas of Louis Kelso, creator of the ESOP and binary economics.

■ We were delighted by the generous response to our Fall '94 membership drive. CESJ thanks all those in our global network who joined and renewed—you're keeping our all-volunteer organization alive and growing! A new member, Gordon Withell (a retired Ford executive from Toronto, Canada) wrote: "The privilege of membership in CESJ is near to my heart. Since I first read your booklet 'Toward Economic and Social Justice,' I have been convinced of the emotional depth and the practical strength of your organization."

■ We are sad to report the death of James O'Dell (Alberta, Canada), a founding member of CESJ and one of the earliest and most passionate advocates of Louis Kelso's revolutionary economic ideas. In their 1967 book, *Two Factor Theory: The Economics of Reality*, Louis Kelso and Patricia Hetter described Jim as a "farmer of Barrhead, Alberta, who cultivates his fields in summer and his neighbors' minds in winter, devoting half the year to economic toil and the other half to the work of civilization." He never wavered from his life's mission, even when a fire several years ago destroyed his home and painstakingly collected library on the Kelsonian movement. Jim died last year, two months after he learned he had cancer.

Our deepest condolences to his wife Gwen and to Jim's family and friends. Gwen informs us that copies of Jim's last work "for the revolution," his 379-page *Alternate Thesis to Uni-Tied-Nations-Isim*, can be purchased by sending \$25.00 for soft cover, or \$35.00 for hard cover to: 5315 60th Street, Barrhead, Alberta, Canada T7N 1C1. ▲

Curing World Poverty Update

arguing for a human economic system that maximizes private ownership."

■ Thanks to CESJ's Mac McGrath, a retired chartered financial consultant and member of the Million Dollar Round Table, CWP also appeared on the January 1995 "Bookshelf" listing of the *Journal of the American Society of Chartered Life Underwriters and Chartered Financial Consultants*. This association has about 50,000 members.

■ CESJ member Geoff Gneuchs, former associate editor of the *Catholic Worker*, wrote us that he mentioned *Curing World Poverty* at the Chesterton Conference held on November 29 at Fordham University. He said that many of the marketing brochures that he displayed along with brochures on CESJ were picked up.

■ CESJ member Daniel Kurland, an employee-owner of Allied Plywood Corporation (Alexandria, VA), contributed a copy

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of *Curing World Poverty* to the library of his alma mater, Georgetown University. In his cover letter to Georgetown's head librarian, whom he had met at dinner

honoring long-time donors to the library, Daniel drew special attention to an article in the book mentioning his 100% employee-owned ESOP company. ▲

Testimonials on *Curing World Poverty*

"I read most of your *Curing World Poverty* ...while I was teaching labor management relations in Hungary and it was a most fitting subject to be addressing at the time. Hungary, as you know, has a substantial number of ESOPs in place....

I thought the book was an enormously important contribution to the eternal quest for solutions to world poverty. It was very thought provoking and offered hope that a new relationship between work and worker can be established on a global basis through employee ownership."

James Houck (employee participation consultant,
Michigan Jobs Commission, Lansing, Michigan)

A QUARTERLY
PUBLICATION OF
THE INTERNATIONAL
MONETARY FUND AND
THE WORLD BANK

MARCH
1995

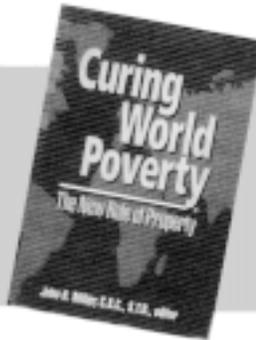
FINANCE & Development

John Miller (editor)

Curing World Poverty

The New Role of Property

Social Justice Review and The Center for Economic and Social Justice,
St. Louis, MO, USA, 1994, vii + 301 pp., \$15.



Feel free to copy and distribute!

This book contains 18 essays on various aspects of “binary” economics, a system developed by Louis Kelso (1913–91) and his associates starting in the 1950s. Binary economics is a market-based system that advocates, among other things, global free trade, a stable monetary system, a simplified and economically efficient tax system, elimination of monopolies, and a reduced state sector. What is distinctive about binary economics is its approach to the problems of poverty, unemployment, and extremes of wealth that the market system tends to produce, especially in the short and medium term.

At the core of binary economics is the idea that every person should have equal access to capital ownership, starting with employees as owners of shares in the corporations for which they work, and that purchases of these shares should be financed with credit. The recognition of credit as an essential “social good” that influences growth and future ownership patterns in a market economy is the key innovation of this model.

Employee profit-sharing and share-ownership schemes have been around since the early 19th century and are generally intended to encourage a spirit of partnership and hard work in the common interest. The Kelso school goes further, and argues that these schemes make the worker-owner less dependent on wages and do away with the competition between technology and labor.

Traditional employee stock-ownership schemes are normally financed through either deductions from wages or dilution of stock of existing shareholders, making them less attractive to workers and shareholders. The Kelso school believes that workers should be allowed to purchase their shares on credit. It argues that credit is as important a financial invention as money itself, and that lack of access to credit for purchase of productive assets causes the poor to remain poor.

According to the standard Kelso model, a company raises the capital it needs for modernization and expansion by creating new shares for employees. The shares are placed in a trust fund and paid for by a loan, normally from a bank; the newly acquired assets and profits from their use serve as collateral. As new assets bought with the borrowed money become productive, the debt is first paid off, and then fully paid-up shares and supplemental dividend income can be distributed to employees. During this period, the employees not only make no down payment, but are also protected from risk of default—which is carried by the company, the bank, and the insurer.

Three other major benefits are claimed for the credit-financed employee stock-ownership plan. First, it gradually leads to greater equalization of wealth without confiscation of the assets of present owners. Second, it facilitates the transfer of the benefits of technology to developing countries through distribution of

shares to local employees by international corporations. Third, creation of wealth or credit for the less wealthy stimulates demand for goods and services. Higher demand, coupled with increased capital formation and supply capacity, will create an expanding economy without inflation and will reduce pressure on government-redistribution programs.

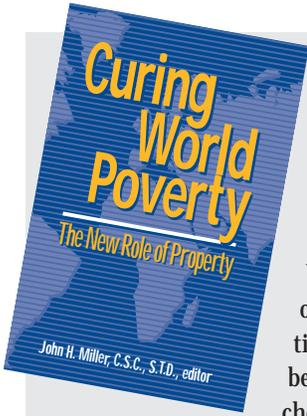
Binary economics also provides for variations on the employee stock-ownership plan for different social circumstances—for example, a stock-ownership plan for consumers receiving continuing service from a corporation, a community investment corporation that develops and manages community property, and an individual stock ownership plan that supplements social security.

Because such systems are so obviously in the general interest, its supporters argue that the state should encourage them. First, the state should provide watertight laws to protect all parties. Second, it should provide last-resort insurance of credit. Third, the central bank should encourage expanded bank credit for financing capital growth linked to expanded ownership. Finally, the state should implement tax reforms that encourage broader ownership of private sector assets.

Curing World Poverty notes that employee stock-ownership plans are not merely theory. There are about 10,000 such plans in the United States alone, covering some 11 million workers. Several of the essays in this book analyze specific schemes in Egypt and Guatemala as well as in the United States.

With a large number of contributors, the book has a depth that might not have been achieved by a single author. Although it is not free of repetition and contains some gaps, it is stimulating. It describes a system that is simple and elegant (like all great ideas), that is based on market economics elevated by the injection of democratic and spiritual values, and that has appeal for the entire political spectrum. *Curing World Poverty* deserves to be taken seriously. It has a particular immediacy for those searching for a solid underpinning for economic reform in the former socialist countries.

John Huddleston



Curing World Poverty: The New Role of Property: \$12.00, CESJ members; \$15.00, non-members. Please mention member discount when ordering. Postage in U.S. and Canada: \$US 2.50 per copy; other countries, \$3.00 per copy. Quantity discounts available. Orders may be paid by VISA or MasterCard, or by check or money order (in U.S. funds)

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▲ Closing Thoughts ▼

“If we can come up with a system which allows everybody access to credit while ensuring excellent repayment—I can give you a guarantee that poverty will not last long. If the helplessness and isolation of labour, who have nothing to sell but their labour, can be totally removed by connecting labour with capital through a universal credit system, we’ll then have other kinds of actors on the economic scene different from what the existing capitalist world would allow us to bring out.”

Dr. Muhammad Yunus
(Chief Executive of the
Grameen Bank, Bangladesh,
former World Bank economist,
and winner of the 1994 World Food Prize)

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