The Washington Post

MONDAY, AUGUST 25, 1975

Russell Long's 'Share the Wealth' Program

By William Greider
Washington Post Staff Writer

Like so many sons of famous men, Russell B. Long of Louisiana is reluctant to judge his father and he is uneasy comparing the Kingfish's version of "Share the Wealth" with his own.

"I'm an old share-the-wealth man at heart," Sen. Long said hesitantly. "But I think it's far better for a man to work for his wealth. I kind of like my father's idea that you tax the wealthy to share with the poor. But I don't think you're going to succeed in that."

Huey Long had the idea that the government could drastically correct the maldistribution of wealth with a one-shot tax on the rich—taking away enough to bring every family in America out of poverty.

Russell Long has a belief that, through adroit tinkering with the U.S. tax code, American corporations can be coaxed into distributing their stock broadly among their employees through employee trusts. A nest egg for every worker, even a small fortune compared with what they have now. Every man a king and every woman, too.

With discreet prodding, the senator considered the comparison, fingering an unlit cigar as he mused about Huey Long and how he scared the socks off Big Business and New Deal reformers alike during the Great Depression of the 1930s.

"Huey Long," the son said with a twinkle in his voice, "was often accused of playing Robin Hood. And to some extent, he was. My attitude is you really don't have to take anything away from those who have it in order to share the wealth with the have-nots."

The son's plan is less radical and more complicated than his father's, yet just as alluring as an expression of the American dream. As Russell Long talked about it, his voice gathered some of that righteous anger that made his father's speeches so compelling.

"Huey Long proceeded on the theory that it was a travesty that a nation which started on the Pilgrims' Convenant—share everything every seven years—that this nation had gone so far astray . . ."

"Fifteen per cent of the people own about 85 per cent of the wealth in this country," Russell Long said. ". . . If I were looking at it from the point of view of the 85 per cent who only own 15 per cent, I'd say: While you're creating all this new wealth, create a little for me. I'm sick and tired of seeing wealth created for Wall Street bankers.

SEN. RUSSELL B. LONG
. . . less radical program

"Why double the money for Mr. Rockefeller and Mr. Getty when they already have so much? I'm not against them having so much, understand. I'm not upset about the few having so much. I'm upset about the many having so little!"

Spoken like the son of Kingfish. But the son's plan for distributing new capital ownership among workers is already taken more seriously by Wall Street than his father's ever was.

His father was governor and senator, but the son, at 56, is chairman of the Senate Finance Committee, a powerful fulcrum for rewriting America's tax laws, a fine place to punish obstructionists and to reward the cooperative. Russell Long hopes to reward generously and he expects a lot of cooperation.

Russell Long has been a U.S. senator for 26 years and he is not exactly known as a white-hat populist. As a Louisiana senator and owner of oil stocks himself, he has championed that industry's interests in the tax-writing battles. Liberal Democrats scorn him for his stern prescriptions for welfare reform, even while they envy his skill and power as a legislator. He can be very funny telling political yarns, and was good at it in the days when he used to drink a lot. He sputters sometimes with mild impatience when trying to explain intricacies of tax and finance to slower minds.

"Can you really predict anything other than a future of socialism," the senator asks, "when so many people get so little out of a life of hard work? If you believe in capitalism, there ought to be more capitalists in this country."

Two years ago, the senator found an expression for his legacy — the vision of Louis Kelso, a San Francisco investment banker and philosopher of economics, who has been trying for 20 years to sell his plan for broad-based distribution of stock ownership. Kelso calls it "industrial homesteading" and, after a four-hour dinner and debate, Long bought it.

At the end of a November evening in 1973, Long said: "I like it. What do you want?"

Kelso wants the tax and banking laws rewritten to revolutionize capital financing in America — the way companies raise money for new factories, new products, the expansion that means more jobs.

Instead of retaining profits for expansion or going to the bank and borrowing new capital, which are now the dominant sources of financing, the companies would issue new stock and turn it over to an employee stock ownership trust which, in turn, would borrow the money.

The loan would be backed by the company's profits and paid off in the usual way except that when the loan was retired the stock would belong to the employees, distributed in proportion to their income as workers.

Over time, each worker would have two incomes, his wages from labor and his dividends from capital. When he retired, his stock would add to his retirement income plus create a diverse new flow of inherited capital in America — broadly distributed among middle-class families rather than concentrated among the

Russell Long's Wealth-Sharing Plan

LONG, From A1

super-rich.

That is a simplified description of the mechanism at the heart of Kelso's revolution. There are only about 150 or so such trusts in the country right now but, thanks partly to Long's tinkering and evangelizing, bankers and businessmen are flooding his office with inquiries about ESOPs — Employee Stock Ownership Plans.

Long and Kelso, while they express varying degrees of bullishness, both predict ESOPs will become the dominant form of financing the growth of American business over the next decade.

Long has the more modest vision of what this could mean for American workers. "Kelso likes to think of employees having $300,000 or half a million dollars each," Long said. "I think about it in terms of $30,000 to $35,000. I'm sure some people would have $300,000, but I tend to think more of the average man."

The "sugar" which is supposed to attract corporate management is already substantial and Sen. Long hopes to make it sweeter still. Under a long-existing tax provision, a corporation that raises its capital through a stock-ownership plan can pay off the debt in pre-tax dollars.

Thus, $1 million raised through an ESOP takes $1 million in profits to pay off. But the corporation would have to gross roughly $2 million before taxes to pay off $1 million in conventional financing.

That benefit is not much different from what companies can get from stock-bonus plans, but Long added another lure to the bill enacted last spring—an extra 1 per cent investment tax credit for companies that finance part of their expansion through employee trusts. That is regarded by Long as a foot in the door.

This year or next, when Congress grapples with tax reform and the so-called "capital shortage," Long expects to push amendments to steer corporate America closer still to employee ownership.

According to Internal Revenue Service officials, about 100 corporations have inquired about setting up ESOPs since the tax break was enacted and the IRS is preparing guidelines to ensure against poorly designed plans which benefit corporations, but not employees.

Among other ideas, Long is thinking of a horse trade on corporate taxes. Business is always complaining that its profits are taxed twice—first as corporate income, then again as personal income when the money is distributed as dividends to stockholders.

Maybe, said the senator, dividends could escape one level of taxation if they are paid to an employee trust—an exception that would roughly double the value to both the company and the worker.

Another approach might be to let corporate dividends escape half of the normal taxation — if the company distributed one of every two new shares to an employee trust.

Associated Press

Sen. Huey Long: accused by some of playing Robin Hood.

Kelso has his own package of proposals which has already gathered more than 90 cosponsors in the House and a friendly audience from Long.

The House cosponsors demonstrate how Kelso's vision completely disrupts the traditional liberal-conservative division which dominates most political issues. The liberal supporters include Democrats Ronald V. Dellums and Don Edwards of California; the conservatives range from Jack Kemp (R-N.Y.) to Joe D. Waggonner Jr. (D-La.) to Robert E. Bauman (R-Md.).

Kelso, in fact, espouses an economic philosophy that attempts to synthesize the best of Karl Marx with the individualism of Adam Smith —wrapped in a uniquely American mantle of the Puritan ethic.

If socialism, says Kelso, is institutionalized envy and capitalism is institutionalized greed, then the human mind should be ready to devise something better, something that would share the fruits of capitalism more equitably without turning over private property to a socialist government.

"To managers, we say: gentlemen, your fortunes are in your own hands. You can't succeed unless the guys in the shop succeed. Do your best to make sure that all succeed."

Kelso's world would obviously be a different place. Unions would sitll negotiate with management over wages and other issues, but each worker would have a stake in increased productivity beyond his paycheck. For the corporate world, a nation of new capitalists would have rising incomes as consumers. Kelso regards the two requirements as inseparable if the U.S. economy is to flourish in the long term.

The standard response to this vision is summed up in the wisecrack by Harvard economist Paul Samuelson: "There's no such thing as a free lunch."

The Kelso vision does raise a variety of long and complicated questions, from the perils for workers whose company goes bankrupt to the environmental questions raised by a go-go growth policy.

And the people who would pay for the "free lunch" are all the U.S. taxpayers who would have to make up for the billions in lost corporate taxes. Otherwise, the federal government would have to shrink in size, reversing the trend of bigger and bigger government.

Kelso argues that the social welfare programs launched 40 years ago with the New Deal have sidestepped the fundamental problem — the distribution of wealth—and that if capital ownership were broadly distributed the need for federal transfer payments would be greatly reduced.

Long argues that it will be easier politically to deal with problems of the bottom 15 per cent who live in deepest poverty once the great American middle class has the security of capital nest eggs.

"If we can find the good judgment to do this," Long said, "then there is much more we can do. If we can't have the good sense to do this, than we're sure not going to be able to do any of the rest."

That is quite different from what his father had in mind.

"Russell Long liked the idea of populism that he more or less inherited from his father," said Kelso, "but he didn't like the means, the tools. He abhorred the idea of taking from the rich or the middle class to give to the poor. When he found that he could make haves out of the have-nots without taking away from someone else, he felt he had discovered what his father was searching for."