

A FRIENDLY REMINDER!

Our first official membership drive is off to a great start; a good number of people have already joined as basic and sustaining members. In case you hadn't yet sent in the CESJ membership application we mailed you last month (you may just be receiving yours, thanks to the vagaries of bulk mail delivery), we invite you to sign up.

Aside from the various benefits you'll receive as a member, your dues enable us to publish and distribute *Newsbriefs* to our world-wide network, and to organize conferences and other major events. Even more important, your name and participation will help CESJ continue to develop as an organization promoting unifying and problem-solving concepts of economic and social justice.

- The Feb. 4 Financial Times of London reports that Nikolai Shmelev, one of Gorbachev's leading advisors for *perestroika*, is calling for the sale of shares in state enterprises to Soviet citizens in order to help finance modernization of industry. Shmelev told the progressive weekly Moscow News that recent isolated experiments in allowing employees to buy stakes in their companies have been carried out in some parts of the Soviet Union. While the Soviets have not yet discovered the ESOP credit technology for financing broadly owned growth using corporate profits rather than reducing take-home pay or savings, Shmelev's proposals directly challenge the central premise of Karl Marx ("abolition of private property").

- Pope John Paul II's latest encyclical criticized both "liberal capitalism" and "Marxist collectivism" as being morally flawed, pointing out that neither has shown the way to true economic justice. CESJ suggests that a third way exists. Expanded capital ownership rooted in free enterprise and democratized access to private property ownership can provide real justice to the poor without taking property from the rich.

- On Feb. 5 Ambassador Falilou Kane of Senegal hosted a working luncheon on expanded capital ownership with CESJ president Norman Kurland, AID African Bureau

officer Frances Johnson, and the ambassadors from Guinea, Ivory Coast, Mali, Niger, Togo, and Mauritania. The ambassadors have agreed to support a regional Project Economic Justice conference in Dakar for government, business and labor leaders.

* * * BOOK REVIEW * * *

Secrets of the Temple:

How the Federal Reserve Runs the Country
by William Greider (Simon & Schuster, 1988)

The factual 90% of this lengthy and superbly researched book explains the way the Federal Reserve System operates, in a manner accessible to any reasonably intelligent layman. It explains many things that the "keepers of the temple" would indeed like to keep secret, such as the fact that the System could fund the productive economy directly but does not. The System directly or indirectly funds whatever portion of the Treasury deficit is not funded with foreign money, and at present it directly holds about 15% of it.

Additionally, whatever portion of the debt is held in the System's own portfolio is almost costless to the Treasury, since the interest it receives is returned to the Treasury as "dividends" minus operating costs.

Where Greider engages in opinion, perhaps 10% of the total, he espouses a late nineteenth century form of agrarian populism, based on inflation and currency debasement, a theory and practice thoroughly discredited by analysis and experience. Although he mentions expanded capital ownership briefly in a favorable manner, he demonstrates no understanding of its potential to resolve the problems he outlines very well, without the backhanded robbery inherent in inflation.

-- Reviewed by Dr. Norman A. Bailey, Ph.D.,

Former Chief Economist, National Security Council

- CESJ has received word that J. Peter Grace has declined participation in the May testimonial dinner because of a possible conflict in raising funds for his non-profit organization, Citizens Against Waste in Government.

- We are sad to report the recent death of CESJ friend Lou Mobley, a noted management theorist who developed IBM's executive training program.

- CESJ member Bob Woodman of Lakewood, Ohio published a letter to the editor of his local paper introducing CESJ and presenting our core values in full. We applaud Bob's grassroots initiative.

March Meeting of CESJ

When: Saturday, March 19, 1:00 p.m.

Where: National Graduate University

1101 N. Highland St., Arlington, VA

(across from the Clarendon Metro station)

Information: Call Dawn Kurland at (703) 243-5155

Join us as we begin planning the first of the CESJ Regional Conferences on Project Economic Justice, anticipated to be held in West Africa. Several of our guests from various African nations will offer their insights on potential opportunities and roadblocks.

Brainstorming session: 9:30 a.m., Sat. 19, NGU.

* * * Closing Thoughts * * *

"[F]ew politicians or policy analysts would listen seriously to [ESOP inventor Louis] Kelso's more radical proposition: The Federal Reserve's money-creation powers could be harnessed directly to the need for new capital, channelling low-interest credit to new enterprises, provided that stock ownership of those companies was distributed...to all citizens....Over a generation or longer, without confiscating or nationalizing anyone's property, the ownership of wealth would become more broadly distributed....There was no technical reason why Kelso's scheme could not be made to work compatibly with the Fed's other obligation to control the expansion of money and credit. But there were many political reasons. He was offering a ... choice that American politics has always refused to make."

William Greider, *Secrets of the Temple:*

How the Federal Reserve Runs the Country, 1988