

BOOK REVIEW

POVERTY, PROPERTY & THEOLOGY

The New Role of Property

John H. Miller, Editor
Catholic Central Union of America

THE ISSUE of 'private property' provokes considerable philosophising among theologians. *The New Role of Property* gives some examples. Edited by the Jesuit John H. Miller of the Center for Economic and Social Justice, the book is an attempt to explain 'Binary Economics' and the economic proposals of Louis Kelso in a context of Catholic moral teaching. For me, it succeeds better in the latter than in the former.

One of the most intriguing of the 14 papers, 'How to save the corporation,' was first published in 1905. The introductory essay, outlining Papal teaching on ownership, is equally fascinating, based as it is on relevant encyclicals, beginning with Leo XIII's *Rerum Novarum* ('On the condition of workers,' 1891).

As for Louis Kelso, who was active in the 1950s and 1960s, neither the paper directly authored by him, nor any other - including those by his chief associate, Norman Kurland - clearly summarises Kelso's views. (A possible exception is by Kathy Friedman - 'Capital Credit: The Ultimate Right of Citizenship'.)

Abstracting from the several papers one can ascertain the following Kelso beliefs:

- a) Concentrated ownership - capitalist or socialist - is an evil.
- b) Capital is the main producer of wealth in an industrialised economy.
- c) One cannot become wealthy by saving.
- d) Puritan reverence for saving keeps us from devising financial techniques that could industrialise the developing economies.
- e) Saving is simply a form of insurance.
- f) We do not need to rely on past savings for insurance.

These beliefs, which seem reasonable enough, lead Kelso to the proposition that Employee Share Ownership Plans (ESOPs) could be built on the (insured) expectation of future saving. Kelso believed that 'people are poor because they have not acquired the capital needed to supplement their labour productiveness.' Thus, through ESOPs, 'progressively larger numbers of the broad masses would be provided the opportunity' for capital ownership, and world poverty would be eliminated.

Progressively? There is a painful gradualism in all this, surely too painful for today's poor?

CO-EXISTING with Kelso's ESOP proposal is a view fundamentally at odds with that of classical economics, namely, his 'Two-Factor' theory. Adam Smith's two primary factors of production are land and labour, a third factor, capital, being some combination of the primary two. Kelso's two

factors are labour and capital, subsuming land in the definition of capital. His blindness to the distinctiveness of the factor land, while an obvious restriction, and no doubt a source of confusion in his own analysis, is not only confusing but positively annoying to an economically literate reader who tries with all good will to grasp Kelso's ideas on financing development.

In Kurland's contribution, the Homestead Acts of the 1860s are recognized as the precursor of burgeoning productivity. Curiously, Kurland attributes the productivity to 'ownership', not to access. But it should be remembered that the Homestead Acts gave access to land, and on condition the land be used. Only after a period did users get 'ownership'. Many of these first owners, or their descendants, subsequently lost the land, even though they were still using it. They lost it to banks most notably, because of the prevailing credit and tax systems.

Only the paper by Kathy Friedman makes explicit the link between the Homestead Acts and Kelso's reasoning: 'Today, the source of wealth is no longer land, but capital credit. The frontier is now technological not terrestrial. The new wealth (self-liquidating credit) is as abstract as the old wealth (the good earth) was concrete. And - like access to land - access to capital credit would rejuvenate America's economy were it democratised.'

Friedman, by distinctly recognizing access to land as the source of wealth, at least in the past, has liberated Kelso's ESOP proposal from his Two Factor theory. In other words, I believe his proposal may be useful even to economists of the classical (three factor) persuasion.

Despite their pervasive emphasis on the necessity (even godliness) of the institutions of 'private property' and free enterprise, this book's authors offer pointed criticisms of where these institutions have led us: 'Henry Ford, the Father of Wage Feudalism.' And they do call for a cure.

A BOOK complementary to Miller's, though a refreshing contrast in style and content, is Hernando de Soto's *The Other Path* (1989). De Soto's documentation of practical problems in production for the daily needs of life in Latin America - specifically in Peru - though not frankly theological in intention, does not avoid moral judgments.

'The importance of good laws' could be the subtitle to de Soto's book. Good legal institutions, he says, protect private rights and property; permit orderly access to productive activity; facilitate harmonious interaction.

De Soto is extremely critical of the 'mercantilism' in Peru where both right wing and left are more concerned with transferring wealth than laying the basis for creating it. Public Relations firms, for example, are among the redistributive combines whose main job is to file petitions to government.

To round off one's education on 'private property' is the definitely theological slant of *From Wasteland to Promised Land* (1992) by two ordained ministers, Robert Andelson and James Dawsey, and *For the Common Good* (1989) by economist Herman Daly and theologian John Cobb Jr. I cannot do them justice here but note them as well worth reading, especially as in their analysis 'land' is not confused with 'capital'.

MARY RAWSON