The original documents are located in Box C17, folder "Presidential Handwriting, 4/7/1975" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

April 7, 1975

MR. PRESIDENT:

Attached for your information is the latest Reagan column.

Don

We better get authoritative response. Sounds so GOOD.

THE RONALD REAGAN COLUMN
(For Release In Papers On Friday, April 4, Or Thereafter)

By RONALD REAGAN

Copley News Service

"He's an amateur crank." It was Paul Samuelson talking, professor of economics at the Massachusetts Institute of Technology and winner of the Nobel Prize. He was talking to Mike Wallace on "60 Minutes" about a self-taught San Francisco economist who wants to make every American worker a capitalist: Louis Kelso.

Kelso had been swimming upstream in the rarefied world of economics for nearly 20 years, until the last two years or so when some journalists and politicians began to listen and found he had something to say.

According to Kelso, "America's official policy is to have a 'full employment' economy.

"This is irrational when technology and automation are destroying jobs faster than new ones can be created. What we need to do is develop a way for the workers to own 'a share of the action'--a share of the machines that actually produce the wealth."

He points out that only about 6 per cent of the U.S. population derives a significant portion of its income from capital. The rest of the people must rely entirely on wages, salaries and commissions. No job, no money.

What if most of the workers also owned some of the capital and began to derive a healthy portion of their income from this source, he asks. In time, he says, the boom-and-bust cycle, wild stock speculation and the wage-and-price spiral of inflation would be a thing of the past.

Kelso points out that American industry has a steady need for fresh capital to update and expand itself. If, instead of turning to traditional sources for this capital, a company created instead an Employe Stock Ownership Plan for its workers, that "ESOP" could go to a bank, borrow the money to buy the new stock of the company, and pay it back out of dividends from the stock. After all, he says, industry now pays off its capital borrowings out of profits.

As soon as the loan was paid (typically in three to five years), the workers could begin to get their own dividends. And, it wouldn't cost them a cent out-of-pocket to become shareholders. Nor would it require present shareholders to give up any ownership. No "redistribution" scheme. All the while, industry would have its fresh capital at a cost less than it now pays.

That's Kelso's plan in brief. There's more to it, of course. Sen. Russell Long, D-La., chairman of the Senate Finance Committee, is seriously interested in Kelso's visionary solutions to some of our economic problems, and the energetic Kelso (who has put a version of his plan to work in several score private firms) is beginning to get a full hearing for his ideas in Washington. Those ideas may not be perfect, but they offer some real hope that the fraternity of ruling economists--captives of Keynesian orthodoxy who have held sway for four decades--may be near the end of the road.

Kelso's challenges to debate Samuelson (or any other orthodox economist) have gone unchallenged.

But no wonder Mr. Samuelson was so tight-lipped when he dismissed Kelso out-of-hand on the television program. Kelso, after all, hasn't been annointed by the priesthood. Neither was Louis Pasteur.

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