A Three-Part Proposal for Investing Hoarded Cash
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In this article, the author makes a proposal, based upon Concordian economics—which stresses cooperative effort and concern for the good of the community—to stimulate investment, without government stimulus packages or “bailouts,” so as to bring the U.S. out of its current relative economic stagnation.

The market is frozen; there is a jobless recovery; there is an overall decline in property values. In the meantime, large corporations are hoarding inordinate amounts of cash. Paul Langtry (Financial Times, July 9, 2012) is quite right: “The wholesale money market in the UK, Europe and the US is completely frozen. . . . There have been periods of days, even months on end, where no interbank wholesale lending was taking place at all. . . . Time is a great healer and things may look better in five or ten years.”

What I propose would be designed to shorten the tempi of the recovery.

THE PROBLEM

For a great many reasons, large corporations are currently hoarding inordinate amounts of cash. This is the cause of our slow, jobless recovery. This is the cause of the sputtering stock market. This is the cause of the rather steady decline in the value of our housing stock; lack of widespread purchasing power affects the housing market negatively.

Large corporations are unable to resolve the problem if they act individually. They cannot invest that cash because, for lack of effective demand in the economy, they cannot be reasonably assured of recovering their investment.

Large corporations are unable to resolve the problem if they act collectively either, because were they all to invest that cash at once, the flames of inflation would destroy the value of our wealth.

THE SOLUTION: A NOVEL WAY OF THINKING

The solution to this grave problem can be found only in novel ways of thinking. The solution can be found in acting in concordance, not only among corporations, but with one’s stockholders and bondholders as well.
Concordance among corporations. The proposed action is going to be effective only if a considerable number of corporations agree to act at the same time on this problem. Timing in economics is of the essence, and so is size.

There are a variety of forms in which this agreement can be reached. A web site can be easily set up and corporations can voluntarily make their pledge openly and transparently on this site. Let us say they will pledge to act as soon as a minimum of three corporations commit themselves to act.

Concordance with and among stockholders and bondholders. Stockholders and bondholders of each corporation will have the responsibility to initiate the request. And the request can be simply formulated as follows.

**The Solution: Part One**

Give us our cash. Stockholders and bondholders are the legal owners of that cash. They can legally demand a distribution of a good portion of the cash hoards that at present are gumming up the economic system.

Assuming that a large number of corporations will participate, within six months of this concerted action, everyone will benefit. Effective purchasing power will be widespread among consumers, corporations can safely invest their remaining resources in new ventures, jobs will be created, no inflation will occur.

And all that will be accomplished without the expenditure of one cent of taxpayers’ money and without the expenditure of one word from the chattering classes of politicians and economists.

Yet, one new problem will arise. Due to the immense concentration of wealth nowadays in the hands of the few, some stockholders and bondholders will receive so much money that they will be at a loss to spend it—and to spend it without creating inflationary pressures in the economy. The problem, in other words, might simply be shifted downstream. Hence the need for the second part of this proposal.

**The Solution: Part Two**

Invest in your community. Invest in the expansion of the convenience store in your neighborhood, invest in the upgrading of local medical facilities, invest in the production of the local troupe of actors and artists, invest in the expansion of the marketing efforts of your local industrial enterprise, invest in community-based start-up or early-stage enterprises, invest in the activities of the inventor next door who is long on ideas and short on cash.

It takes time, knowledge, and effort to make wise selections in the field of community economic and cultural development. Not too many people are endowed with gifts of discernment and patience; and, even if so
endowed, large investors are no longer likely to fully appreciate the power
of small size operations. For them, there is the third part of this proposal.

The Solution: Part Three

Community Interdependence Funds. Each community should create its
own Interdependence Fund. Today there is a dearth of opportunities for in-
vesting in one’s community as a community. To fill this gap, the structure
of the Gloucester Interdependence Fund (in Gloucester, Massachusetts,
where I am based) was conceived. The idea is extremely simple and, as
judged by the local bankers in my community, quite feasible. The idea has
its roots in capital tithing, but it does not demand the giving away of one’s
wealth; it only creates a centralized funding process, while maintaining
individual ownership and control over the shares of the fund.

Its essence is the creation of a pool of financial resources that can be
made available only to the members of one’s community, and only for the
purpose of creating new wealth (not for buying consumer goods, goods to
be hoarded, or financial instruments). It considers money not as a means
of control over people, but as a pool of common wealth and a means of
building community.

Procedures to reach concordance among local investors can be quite
like those developed to reach concordance among large corporations.

As all simple ideas, it takes many words to explain it thoroughly. Its
description can be found at http://www.somist.org/id30.htm. For my local
bankers’ evaluation of this third proposal, please see http://www.somist.
.org/id33.htm.