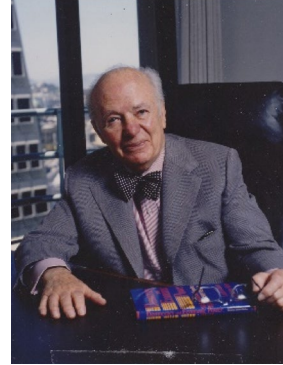


More about Louis O. Kelso

Born in a suburb of Denver in 1913, his childhood was characterized by the rural lifestyle, receiving his education from the catholic fraternity "Christian Brothers". As a teenager he experienced the Great Depression in 1929. The experience of the collapse and the search for its causes accompanied him his through his life.

But before that, there was Pearl Harbor. Kelso was commissioned in the U.S. Naval Service and assigned to intelligence duty in the Canal Zone. Working tropical hours, Kelso used his free afternoons to work on his seminal manuscript "The Fallacy of Full Employment". At the end of the war, the completed manuscript in his footlocker, the Navy sent him back to civilian life. But 1946 was also the year Congress passed the Full Employment Act which defined economic policy in the United States 170 years after the birth of the Industrial Revolution as the right to a job. Kelso concluded that the time for his ideas had not yet come. Only in the mid 1950s when he met the philosopher Mortimer J. Adler, he took a new step to publish his ideas. Together they wrote "The Capitalist Manifesto", published in 1958 by Random House.



Two years before, Kelso had already done a first concrete step in practice. In 1956 he enabled the employees of the closely-held newspaper chain Peninsula Newspapers, Inc., of Palo Alto, California to buy out its retiring owners through a new financing concept: He created the "Employee Stock Ownership Plan" (ESOP). Thanks to this financing technique working people without or with little savings are enabled to buy stock in their employer company and pay for it out of its future dividend yield. The ESOP was thus the prototype of the leveraged buy-out which was embraced enthusiastically by the later emerging private equity funds (KKR, Blackstone, etc. who Kelso knew all personally) – even though aiming at different objectives.

Soon after, in 1958, Kelso innovated a related financing concept, the Consumer Stock Ownership Plan (CSOP), to enable 5.000 farmers in California's central valley to become successful owners of Valley Nitrogen Producers, the fertilizer processing plant of which they are the principal customers. With the CSOP he created a low-threshold participation concept for citizens and consumers which today could change i.e. the market for renewable energies fundamentally.

What Kelso was aiming for, was to democratize access to capital credit, as Patricia Hetter Kelso summarized the idea behind ESOPs in 1989 in The New York Times. He had met his later second wife, he published with until he died, in 1963.

Kelso regarded the ESOP and CSOP as pragmatic proof that his revolutionary revision of classical economic theory, and the financial techniques he derived from this new perspective, were sound and workable in the economic and business world. As a corporate and financial lawyer, and later as senior partner in the law firm he founded, Kelso well understood this world. He was further motivated by his conviction that lawyers had a special responsibility to maintain and improve society's institutions in the light of its democratic values. He further believed that the business corporation was society's greatest social invention and that its executives had a fiduciary responsibility to exercise its vast power.