

# Pilot Project Proposal - The Cruzan Economic Development Plan

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## I. Introduction

After independent discussion with individuals at UVI, the USVI Govt., the USVI Police Department, and others concerned it was determined that the public housing was understaffed, and there was currently no funding forthcoming due to a general shortage of funds. Housing managers simply didn't have enough employees to adequately maintain the various housing complexes. It was also noted that many of the public housing residents were charged very low rents due to the hardships of unemployment and other conditions that left them unable to pay more rent. This gave birth to the idea that even though residents had no extra cash to pay rent which could have gone to hire additional employees for the manager to supervise, many residents did have spare time to contribute towards the betterment of their homes. It was further recognized that no one would be likely to contribute under a purely voluntary system, as those contributing their time would resent the fact that others were not making a contribution of their time. However, if everyone able to contribute had a requirement to help out, that would be considered 'fair.'

This proposal presents a pilot program that illustrates the institutional framework for implementing a paid, public service program that could fully employ any population in providing essential public services while at the same time foster private-sector development and growth. It is internally stable and requires no external finance.

This pilot program is designed to empower the housing manager with the means to provide paid public service jobs to people living in a Public Housing Community (PHC), who are willing and able to work, and demonstrate the feasibility of a larger-scale Full Employment Program on St. Croix. By providing a means for the managers employ additional labor in a PHC, until private sector demand for labor increases, public infrastructure is developed and an attractive and prosperous environment is promoted.

Note the phrase 'willing and able to work.' This means there will be exceptions made for those unable to work, and those unwilling to work directly for the housing authority will have alternative options for meeting their requirement.

This program differs from other rental proposals in that this program provides residents with the means to earn their monthly rent. Note that today in the USVI people unable to meet their rents are not guaranteed jobs to earn the needed funds.

## II. Cruzan Annual Service Hours: Program Outline

1. The public housing management of the USVI will impose a supplementary rental requirement that all public housing residences, in a selected Public Housing Community (PHC) that volunteers for this program, submit **receipts** for 40 hours of qualifying service to that housing community each month.
2. The manager of the PHC will offer qualifying public service employment to anyone willing and able to work.
3. The PHC manager will issue freely transferable receipts to workers equal to the hours worked. These receipts for time worked will be called 'CASH' (Cruzan Annual Service Hours), and carry the inscription: 'Receipt for service to the PHC of St. Croix.' CASH will be issued in denominations of 1, 5, and 10 hours, and could be further subdivided, perhaps into ten '6 minute' notes. CASH, being freely transferable, can be acquired either directly from the PHC manager through public service or from others who earned them from the manager.
4. The manager should carefully prepare a list of the types of work he wants done and set up a well-thought out system to utilize and monitor the results. Labor thus supplied should be directed to maintain and service the PHC facilities where the service requirements were originally imposed, insuring the benefits of the public service are visible and tangible to all residents of the PHC. Potential projects could include beautification efforts, crime watch programs, or after-school programs for children. However, public service work could also include all the usual housing management functions, including administrative work, infrastructure work, staffing of the educational system, legal system, mail delivery, child care, environmental and cleanup activity, etc. Initially these are likely to be labor intensive activities that do not require extensive capital goods or energy consumption.

## III. Program Discussion

It is the service requirement imposed in (1) above causes residents to seek employment that pays in CASH. And, as employment is offered to anyone seeking it, residents will readily be able to earn the receipts necessary to preserve occupancy of their property. The actual size of the CASH requirement as supplementary rent is a political choice. We are suggesting 40 hours per month as a starting point based on very crude guidelines of the cost of housing to a typical family.

Banks typically estimate that 25% of a family's gross income goes towards paying housing expenses. The 40 hour per month requirement is approximately 10 hours per week, and therefore meets the bank standard based on an average person's 40 hour work week. If more than one person in the residence was able to work the service hour requirement per residence would be even less burdensome, as is also the case with a typical family.

Legally, this requirement is a rental payment, which the government is lawfully empowered to enact. Unlike a rent payable in \$US, to comply with this new requirement, homeowners must instead submit CASH, which are **receipts** for public service.

The direct effect of the requirement that a portion of a tenant's rent be paid only in CASH is the creation of an immediate need for CASH by residents of the PHC. This incents them to either apply for public service work with government to directly earn the needed receipts, offer goods and services to other private citizens in exchange for the needed receipts, or otherwise purchase the needed receipts in the market place.

## **IV. Implications**

### **Increased Employment in the Public Housing Community**

Anyone willing and able to do public service work in return for CASH will be given employment by the manager. Residents will desire to be employed in exchange for CASH because they either have a requirement to submit them, or because they will see that they can purchase real goods and services being offered for sale in exchange for CASH by others who need them.

When the manager spends \$US, he is severely limited, as the USVI government must first either collect them via taxes or borrow them. This can be both politically and economically difficult. With the CASH system, however, 'government' spends CASH first, and then collects it.

### **Real Benefits to St. Croix and PHC**

The labor supplied to meet the monthly service requirement will provide a substantial direct benefit to St. Croix. For example, A PHC with 100 homes of which 80 are occupied with a person able to work would benefit from the equivalent of 20 extra full-time staff serving the community. Properly applied, this initiative can transform the community into a superior place to reside. Direct benefits include children that can be taken care of while parents work, exterior appearance maintained, and safety improved. Indirect benefits can include a reduction in crime, reduced family problems, a positive sense of community, and a more attractive community for private sector investment.

### **No Government Debt and No Payment of Interest**

With the CASH system government has no need for finance or borrowing, and there is no government involvement in the payment or receipt of interest.

### **The Value of CASH**

The market value of a one hour CASH note will be a function of the difficulty of obtaining CASH from the housing manager. Value is determined in the marketplace by what other residence owners would pay to buy CASH from someone else, rather than do the public service work themselves. Therefore, the more difficult the public service work is on average, the higher the market value of CASH.

The value of CASH is therefore independent of the quantity issued or received by the manager, providing that the manager only issues CASH for public service labor and does not refuse to hire anyone willing and able to work. As long as workers must work for an hour to obtain a receipt for one hours work, the value will remain equal to one hour of labor. It will be internally stable independent of what happens to the \$US.

Total CASH issuance by the housing manager is market determined. In the normal course of events the manager will necessarily spend more CASH than he collects, as workers can earn as many receipts from the manager as they are willing to work for. Unlike \$US spending, housing management spending of CASH is not constrained by revenue.

## V. Enforcement

The driving force behind this proposal is the requirement that PHC tenants submit the new CASH to the housing management as payment of rent. This requirement is only as good as the enforcement process. If the CASH isn't paid, the manager must have the right to impose the same sanctions that are triggered by any delinquent \$US payment of rent. This may seem harsh, but there is a very important difference between payment of \$US and payment of CASH. With a CASH rent, and unlike a \$US rent, public service work is always available, and any resident need only work 10 hours per week for the housing management to earn the needed CASH to pay his rent. Any able bodied person unwilling to do at least that much work for his own community to obtain community owned housing will likely receive little or no sympathy from his community.

It is also expected that the government would establish an exception policy for those unable to work. For example, there will be exemptions for people who are disabled, aged, or suffering some other hardship.

## VI. Potential Areas of Difficulty

Many difficulties are inevitable in a modern society. These include crimes such as counterfeiting, forgery, and other types of fraud. Any of these crimes would undermine this program as they do any other political entity. Crimes relating to CASH should be taken seriously, even if they are "costless", because the viability of the program and its significant benefits would be threatened.

## VII. Program Expansion

This proposal is for a pilot program that could be readily expanded to the entire island of St. Croix by imposing a CASH requirement on all residences, not just ones located in a PHC. An island-wide program would function as a property tax paid annually in CASH. Each residence in St. Croix would owe, perhaps, 200 CASH receipts a year. The island-wide program would operate in the same way as the PHC program with even larger benefits to St. Croix, employing thousands in government jobs that pay in CASH as employment (as in the pilot program) is offered to anyone willing and able to work.

## Expanding Government's Use of CASH

It is likely that shortly after an island-wide program is initiated, many other goods and services will be offered by businesses and individuals in exchange for CASH. This will be a function of the CASH residence owners would rather trade something for than do the actual public service themselves. These people may be fully employed at other occupations, simply prefer other types of work than the public service positions available, or have the independent means to purchase their CASH requirement.

At this point, in addition to hiring public service labor, the government will have the option of purchasing these other goods and services with CASH, rather than use \$US, which may be in short supply. As before, spending of CASH will be operationally limited only by what is offered for sale in exchange for CASH. However, this additional CASH spending by government does reduce the total need of residence owners to obtain CASH through public service labor. This in turn will reduce the amount of public service labor they offer in total to the government. Therefore, CASH spending by the government beyond that of public service labor should be limited so as to make sure a credible number of workers must still seek public service employment.

It should also be anticipated that another class of government worker will be desirable. These will be individuals who have special skills (e.g., doctors, lawyers, accountants, engineers, teachers, etc.) needed by the government, but who earn more than the value of one CASH note per hour in the private sector. To attract these individuals to public service in return for CASH rather than \$US may require that they be paid "market wages" which exceed one CASH note per hour. For the same reason as in the previous example, government spending of CASH on these individuals will reduce the total number of hours worked by those paid the stated rate of one CASH note per hour.

In summary, the government begins with the hiring of public service workers who will receive CASH notes equal to their hours worked. As the program develops, the government will likely spend CASH on other things, with a careful eye on the degree that such other spending is reducing the volume (in hours worked) of public service labor. If the volume of public service work is considered too high, other CASH spending can be increased and/or the residency requirement of 200 CASH per year reduced. Conversely, if the volume of public service is considered too low, other CASH spending can be reduced or the residency requirement can be increased. At all times, however, the government is not restricted from offering employment paid in CASH to anyone willing and able to work.

## VIII. Conclusion

A CASH pilot program run in a PHC would yield immediate benefits to that community with no significant costs. The program would also teach valuable lessons about how an island-wide CASH program would function and thrive.

The island-wide CASH program addresses many of the critical, immediate needs of the region:

1. Providing the government with the means to retain and expand its employees will allow it to build and maintain public infrastructure, which will then be available for the immediate benefit of all. This includes roads, water and sewer systems, postal delivery, schools, hospitals, policemen, firemen, the legal system, etc, and administrators for all of the projects.
2. Keeping the population gainfully employed at all times, including the unskilled, maximizes output, promotes good will and political support, lowers lawlessness, stabilizes families, etc.
3. Private sector economic activity will immediately benefit and expand.
4. St. Croix will be financially independent as it sustains itself internally, and will never be held hostage to external funding, tourism, and other special interest groups who, though perhaps in good faith, may attempt to compromise local values to increase employment.

This plan outlines a sound, practical means of advancing St. Croix as a community in any way St. Croix desired to advance. It is a plan for an internally stable system that entails no outside interference, no debt, and no external finance. With a financially independent government able to establish and maintain full employment, St. Croix will reveal unprecedented economic power and prestige, while remaining far removed from financial burdens and instabilities that most of the world is currently experiencing.

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