



We Confront Werner Erhard With Our Awareness Of His Manifestation Of What We're Clear Is A Big Scam

LET THEM EAT est

By Suzanne Gordon

Illustrations by Jeffrey Seaver

AN EVENING AT THE WHITE HOUSE IS NOT AN unusual event for Enud McGiffert. As the wife of Assistant Secretary of Defense David McGiffert, she has been there many times. But one particular evening, May 1, 1978, stands out in her mind. Mrs. McGiffert had gone to the majestic building on Pennsylvania Avenue to attend a performance of a play presented by her daughter's elementary school, whose students included Amy Carter. Before the performance, President and Mrs. Carter greeted children and parents on an informal reception line. It was then that Mrs. McGiffert drew open the curtain on her own personal drama. She stopped, said hello, and then she simply could not refrain. She had to convince Jimmy Carter of the significance of a new "experience" in her life—the Hunger Project, the latest venture of Werner Erhard's est. For est, or Erhard Seminars Training, which began as one of the evangelistic human potential movements of the '70s, had recently expanded its horizons from the self to the world. Werner Erhard had inaugurated a campaign that, he promises, will end hunger on the planet within the next two decades.

As Jimmy shook Enud McGiffert's hand, she smiled and began her tale. "I just want you to know," she told him, "about the Hunger Project. There are 100,000 people out there who really just want to totally serve you and do anything you want them to do to end hunger and starvation on the planet in the next 20 years." The people standing behind her pressed her on. She could not decipher Carter's reaction.

All through the play, anxiety ate at her. Had she done the right thing? Poor man, she thought, he can't even stand on a reception line without someone pestering him. After the

play, as the parents gathered in the White House dining room for refreshments, the President walked up to her. "Now, where were we?" he asked, smiling his famous smile.

Enud McGiffert was thrilled. "I want you to know," Carter went on, "that I know about your group and will call upon you when we have our plans ready."

Mrs. McGiffert, an est graduate and enrollee in the Hunger Project, was not the only one pleased with Carter's response. Upon hearing of the incident, est Public-Relations Manager Brian Van der Horst beamed. It was nothing short of a miracle, a miracle that would delight Werner Erhard. For if one man will spark America's movement to end hunger, many loyal est supporters believe, it is Werner Erhard, founder of est—a man who has transformed thousands of Americans' experience of themselves, has "made it work," and who has not only now gone on to forge a campaign to end hunger on the planet but also, in the process, will show us how to "complete" our lives and make the world our "context rather than our condition."

Until 1977, Erhard's activity was based on a training system where some 250 people sit in a hotel ballroom for two weekends to hear Erhard or one of his trainers combine techniques as varied as Eastern mysticism, Dale Carnegie and behavior modification so that they can heal their souls. The going price for this is \$300. The training takes place in a distinctive upbeat estian language whose phrases pepper the statements of both Erhard and his disciples, (see box, p. 44). Est's expansion into the field of hunger is significant not only because Erhard has initiated it, but also because it is one of the first attempts so far by one of the "self"-oriented movements of the '70s to address social or political issues.

To assure the eradication of hunger and starvation within the next two decades, est created the Hunger Project as an independent, nonprofit organization and gave it a \$400,000 interest-free loan. Est's tax-deductible arm, the est Foundation, bestowed on the Project a \$100,000 grant. This money financed a series of 12 "presentations" in urban centers across the nation, where Erhard "presented" the idea of ending hunger to 40,000 Americans. In a slide show and lecture, he and his resident hunger expert, Roy Prosterman, tried to "get at" the first principles of hunger and starvation. He then "gave" the Project to those Americans who, after paying \$6 to attend the show, demonstrated that they wanted to take "personal responsibility for being the source of the Project and ending hunger and starvation on the planet in the next two decades."

[Who Gets the Money?]

WHAT, PRECISELY, DOES THE HUNGER Project plan to do to end famine and starvation? The Hunger Project does not, you see, *do* anything about ending hunger. That's why, Erhard tells anyone who asks, it is a difficult idea to grasp. The Hunger Project does not advocate any particular solution to hunger—like land reform, food self-sufficiency or the wresting of power from landowners by peasants. Nor does it ask its enrollees to make "dehumanizing gestures"—like sending money to anti-hunger organizations. Above all, the Project does not want its members to feel guilty about the deplorable situation that causes, each year, the death of some 15 million people all over the world. Rather, it asks them to view hunger and starvation as a "wonderful opportunity," an opportunity to "make a difference in the world."

To create such optimism, Erhard counsels us to examine our "positions" about hunger and starvation. This is the first step in "getting" the Project. Once we examine our attitudes, we will discover that two prevail: one, we think hunger and starvation are inevitable; two, we think that to end it, we have to "do" something, support a particular "position." But these things, Erhard assures us, are not the case. Hunger and starvation are not inevitable. We have the technology to eradicate them. And positions merely make matters worse—by engendering opposing positions.

What the Hunger Project literature—a slick collection of Werner Erhard's sayings, photographs and aphorisms gleaned from hunger experts and their writings—counsels is a process of de-education. For anyone confused by the complex issues of the day, this has enormous appeal. "Rather than knowing more and then more as you go along," Erhard counsels, "you will need, instead, to be willing to know less and then less—that is to say, to become somewhat confused as you go along. Finally, you will have struggled enough to be clear that you don't know. In the state of knowing that you don't know, you get, as a flash of insight, the principle out of which the answer comes."

What forces caused hunger in the first place? Erhard is vague about this. "Call them political forces, if you like," he advises generously. "Study the political forces and you will see that hunger and starvation on the planet are the inevitable result of those forces. . . . If you don't like the politics, do it with economic forces. If you don't like the economics, do it

with sociological forces. Psychological forces. Philosophical forces. Or if you prefer, a combination of them."

So far, 180,000 people have enrolled in this project to make the world "work"; they have made more than 30,000 tax-deductible contributions, which have totaled \$883,800. Almost none of this money goes into the mouths of hungry people, for that would, remember, contribute to the "dehumanization" of the world's hungry. This money goes, instead, toward the continued communication of the Hunger Project to an ever-expanding sector of the American public: it produces the Hunger Project quarterly newspaper, *A Shift in the Wind*; it helps pay for office space and slide shows and films. Less than one percent of the Project's money, \$2,500, went to a well-known British hunger organization called Oxfam. But the essence of the Hunger Project is workability, alignment, communication and more communication.

And here he is now, Werner Erhard, founder of the Hunger Project. Here he is on the stage of the San Francisco Cow Palace, or that of the Felt Forum in New York, communicating the Hunger Project to thousands of Americans. The auditoriums are enormous, so we have two Werners before us—the man on stage, and above him, bigger than life, a videotaped image on a huge screen. Or here he is in Washington, gathering hunger experts together to convince them that ending hunger is an idea whose time has come. Or there he is in India, talking with Prime Minister Morarji Desai, and then quick, we have to catch up with him as he jets to the Franklin House, his Victorian mini-mansion on Franklin Street in San Francisco. Wherever he is these days, the Hunger Project is on his lips, for it's a project that comes from his very intimate experience of the souls of the thousands and thousands of Americans with whom he has had, he says, a very meaningful personal relationship.

The est staff, the Hunger Project staff, the Hunger Project Council, the est Advisory Board, the Hunger Project Advisory Board, est assistants and volunteers all echo Werner's language when "communicating" the Project. And they all claim that, except for the seed money, the Project has nothing organizationally to do with est and that Werner Erhard has magnanimously taken months off his busy schedule to help Americans end world hunger.

A six-month investigation by *Mother Jones* and the Center for Investigative Reporting of Oakland, California, however, has revealed a far different set of goals for the Hunger Project:

- Werner Erhard is using the Hunger Project not only for self-aggrandizement but for promoting the for-profit corporation he founded, as well. The Hunger Project is a thinly veiled recruitment arm for est. Hunger Project volunteers have said that est-trained Hunger Project staffers have pressured them until they agreed to do the \$300-a-shot est training. Others told of being asked to lend their cars or provide other services to est.

The Hunger Project has nonprofit status—which gives it the ability to receive tax-deductible contributions. But this use of a nonprofit organization to recruit customers for a for-profit one is in violation of the spirit, if not the letter, of Internal Revenue Service laws.

- In various cities across the country, Erhard's disciples have organized a "Hunger Project Seminar Series" at \$30 per enrollment. Yet the proceeds go, not to the Hunger Project, but directly to est.

- The official claim that est and the Hunger Project are

organizationally separate is a fabrication. Careful examination reveals that top personnel pass through a revolving door from est to the Hunger Project. In many cities, the Hunger Project is housed in est offices. Est graduate bulletins advertise Hunger Project events. The three initial directors of the Hunger Project, Michael Chatzky, Robert Dunnett and Mark Schiavenza, all work out of the law firm of est lawyer and offshore tax-haven expert, Harry Margolis, (see box, p. 52). In addition, Dunnett was vice president of Erhard Seminars Training, Inc., when that was est's corporate name, and Chatzky was one of the directors of California Aesthetics, which was once the sole shareholder in est. The Hunger Project's current vice president, John Emery, and the secretary-treasurer, Helen Nahm, are both on the est Advisory Board. The Project's resident hunger expert, Roy Prosterman, the man who does the traveling hunger road show with Erhard, receives a grant from an est foundation, which helps support his own hunger consulting work.

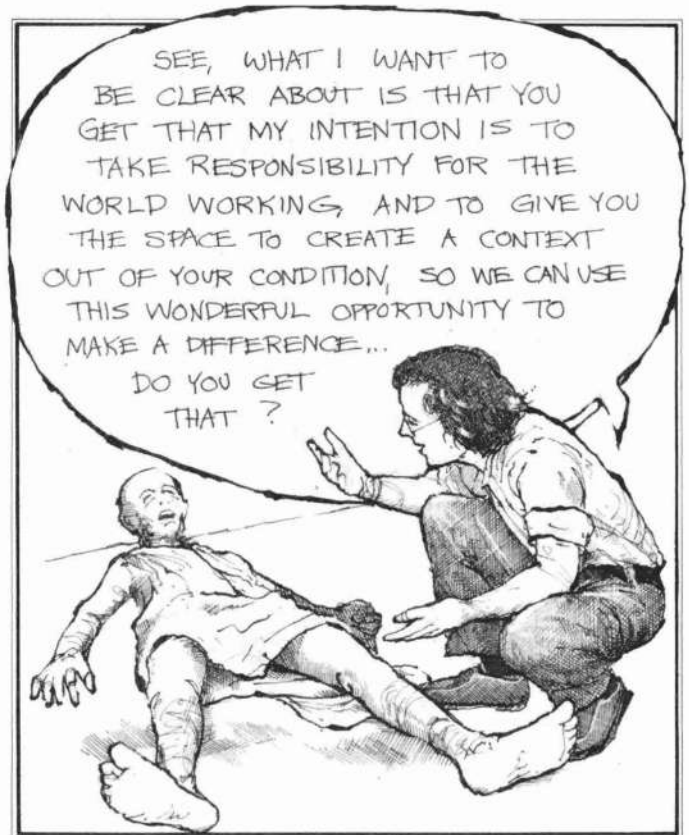
As we shall see, Erhard will deny some of these charges in his uniquely estian way in an interview.

[No More Struggle]

ERHARD'S FOUNDING OF THE HUNGER PROJECT, a little over a year ago, was a stroke of genius. Though the est movement has been growing rapidly, Erhard had been getting increasingly bad reviews. There had been a number of newspaper and magazine articles criticizing his movement's obvious authoritarianism and its devaluation of independent thought. There were also questions about whether, with tens of thousands of people paying up to \$300 a crack for est training, Erhard was using the consciousness movement to make himself a tidy personal fortune. Erhard needed a good promotional weapon to fight back with and, in the Hunger Project, he found it.

Examined carefully, of course, the Hunger Project is not a new departure for Erhard, but merely an application of the familiar est approach. Consciousness is everything; distribution of wealth and power, nothing. The Hunger Project takes one of the most potent political issues of the day and totally depoliticizes it. The persistence of hunger, Erhard says, is not primarily due to an economic system in which rich get richer and poor get poorer (of which Erhard is a part, as est money finds its way to offshore tax havens). Rather, it is due to the lack of will, to attitudes, to bad intentions.

The emphasis is on the positive. Don't think about the depressing facts of hunger or the causes of starvation, think of the hunger issue as the chance of a lifetime—a way to have an impact on the world. All this talk of impact neatly brackets the starving and the dying. They appear in beautiful color pictures in Hunger Project brochures—but the needs of middle-class Americans eclipse their reality. The people who flock to est, the Hunger Project and the other consciousness movements have just escaped a decade of disillusionment where political action promised social transformation. This promise was not fulfilled. Similarly, the '60s and early '70s were an era of journalistic exposés that revealed widespread corruption: Watergate, the CIA, FBI provocateurs, the list is endless. But again, information has not led to transformation. The more people learn about how bad things are, the more powerless they feel. Erhard realizes that



his fans want to feel both powerful and needed. "The idea [of the Hunger Project] germinated itself from my experience of people with whom I was interacting, primarily people who had been through the training," he explains. So Erhard creates a way for them to *feel* like they're having the impact they know they've lost.

[SOIPs]

HUNGER IS ONE OF THE SEXIER ISSUES IN WASHINGTON, D.C., this year. No one is for it, and everyone is against it. Hunger is consequently a perfect issue around which a President with lagging popularity can mobilize public support. Recently, Carter appointed a Presidential commission on the subject. Like all Presidential commissions, it includes a "non-partisan" assortment of college presidents (Steve Muller of Johns Hopkins), millionaires (Sol Linowitz), scientists (Jean Mayer), Republican and Democratic senators and representatives, and, among others, entertainer Harry Chapin and singer John Denver—the latter, an enthusiastic backer of est.

Denver is unfailingly helpful. His greatest contribution, aside from his coming role in the Presidential Hunger Commission, was a film he financed and narrated called *I Want to Live*. He sang the theme song, which centered around the lines: "I want to share/ I want to give/ I want to live." The film also included the opinions of such luminaries as Hubert Humphrey, U.N. Representative Andrew Young and various hunger experts, who spoke about the possible solutions to the hunger problem. Ending on a rather vulgar note of self-celebration, Vice President Walter Mondale congratulated Denver on his great personal commitment. This film is

a staple of Hunger Project promotion.

Werner Erhard has promptly gone to work trying to propagate his ideas to the Presidential Commission's members and others in the White House. President Carter's son Chip, for example, represented his father at a three-day Hunger Project symposium at the Tarrytown, New York, Executive Conference Center in September. Chip Carter seems to have swallowed Erhard's pabulum undiluted: "If my father can go from being almost unknown to being President in four years," he was quoted as saying by *The Washington Post*, "we can certainly end hunger in 20 years."

Harry Chapin and est regulars John Denver and Valerie Harper (TV's *Rhoda*) were also among the 100 guests at the Tarrytown symposium. Harper has also been active in the Hunger Project. She has served on the est Advisory Board and is a member of the Hunger Project Council. Her public effusions about est have been innumerable. On national television and in magazine articles, she has thanked Werner for transforming her life. Now, she enthuses about the Hunger Project, (see box below). She participates in events to promote the Project—a soccer game here, a speech there, a gathering at her house—or to help Werner meet the important people.

Because of hunger's non-partisan appeal and President Carter's interest, a campaign to end hunger is a natural way in which Erhard can appear to be "doing good" while cultivating powerful connections. A number of key people have

paved Erhard's road from San Francisco. These people are known in est lingo as "Sphere of Influence People" or "SOIPs"—types who have taken the training and are later courted to help aggrandize Erhard. Although est would not admit whether or not it had constructed such a category as SOIP, internal documents prove that it has. ("New York SOIP Participants," begins one of them. "The following people have responded and *will* attend the Reception: 1. Paul Albano, Asst. V.P., Chemical Bank. 2. Dave Andrews, V.P., Chase Manhattan Bank. 3. Dick Aurelio, heads Daniel Edelman. 4. Polly Bergen, Actress. 5. Josh Reynolds, Guest of Polly Bergen. . . ." This list of 33 names is followed by a list of those who "*will not* attend the Reception," and finally a list of people who haven't answered yet, identified by connection to SOIPs if they are not ones in their own right: "Senator and Mrs. [Jacob] Javits, Mrs. Javits is a grad . . . Edith Rivera, Daughter of Kurt Vonnegut. . . ." and so on.)

John Denver and his manager, Jerry Weintraub, as well as Valerie Harper, have given Erhard an SOIP entrée into Hollywood. Est enthusiasts Buckminster Fuller and Dick Gregory provide other ties. But the real help comes from people with government connections.

For example, take Roger Sant, former Assistant Administrator of the Federal Energy Administration under President Ford. Sant has also been a member of the prestigious San Francisco businessman's group, the Bay Area Council, a director of the National Security Bank and a frozen-food

"Brenda, Brenda, I Just Got Manifested!"

What attracts a talented, busy and hitherto sensible person to Werner Erhard and his Hunger Project? Mother Jones' Mark Schapiro called Valerie Harper, star of TV's Rhoda, to ask her a few questions, and found her so eager to talk he could barely get a word in edgewise. Here is a condensation of her response:

WELL, FIRST OF ALL, THE HUNGER Project is each one of us. It's not like I joined an organization and now I'm a member of this group called the Hunger Project. In our world you have to say, "What is the organization?" And of course there is an organization, but the actual work of the Hunger Project is individual responsibility. It does manifest and it's not a solid thing, it's not an object, as human beings are not objects. So the Hunger Project lives in each person who chooses to have it be there. And so, since I've been participating in the Hunger Project, a lot of things in my life have altered and my own personal power has expanded.

"What the Hunger Project is, is affording one that opportunity to create an idea's time coming. You see, there's only one way that an idea's time comes, and that is not through organization or money or political action or group stuff. It comes through the individual. So what the Hunger Project is,

is an alignment of individuals, each doing their particular, individual thing. Now Wilbur and Orville Wright created the airplane. Now, what it looks to us—and now we'll talk physics for a minute—it looks to us like Wilbur and Orville built a plane and then flight occurred. So that's the Hunger Project. The way an idea's time comes is individuals create it. Individuals create—again physics—a critical mass of agreement about an idea, and then out of that, things manifest. You got that? You don't have to believe it or understand it, but just kind of get the sense of what I'm saying.

"Werner Erhard has formulated the Project. He has . . . I'll tell you what he did, literally. He personally took responsibility for ending world hunger. He said to the Advisory Board, and I was at the meeting, 'That's what I want to do.' And there was tremendous static, and we all said, 'Now wait a minute, Werner, what are you doing? What are you talking about?' He said, 'This is an est organization, our organization will continue, will fill trainings, will keep giving people a chance to nurture, expand their lives, etc. If the training's something they want to do, fine. If it isn't, they don't, and we'll keep providing it. That's our work as an est Advisory Board. I'm just telling you that I am per-

sonally taking responsibility to end the starvation on this planet by 1997.' And I remember standing up and saying, 'But Werner, listen, I was taught as a child, and I believed, that it will always be with us. There will always be the starving throngs because it's part of the world, the Middle Ages, for all time—much further back than the Middle Ages people have starved.' And he said, 'I would put to you, Valerie, that you holding that is contributing to hunger. Your responsibility is not if you ate pizza this afternoon.' And I got it so clearly, and I began to see.

"The clearer I get about starvation, the more I can take responsibility for it. So, in one sentence, the Hunger Project is a project of communication and enrollment, and by enrollment that does not mean that you pay a fee and you're in and you have a card. It means that you enroll and then you enroll to enroll. You enroll people yourself. I'm sure you'll speak to other people about this. I'll send you material and I think you'll like it. I have exactly the person for you to call to get some material. Brian Van der Horst is the public information office, the office of public information for the Hunger Project. Well, now wait a second, I'm giving you the wrong thing, honey, hold it, he's with est, that's not right. . . ."

supplier. His wife, Vicki Sant, is Regional Director of the Hunger Project in Washington. The Sants introduced Erhard to former Carter administration drug and food policy adviser Dr. Peter Bourne, before Bourne's sudden fall from power last July.

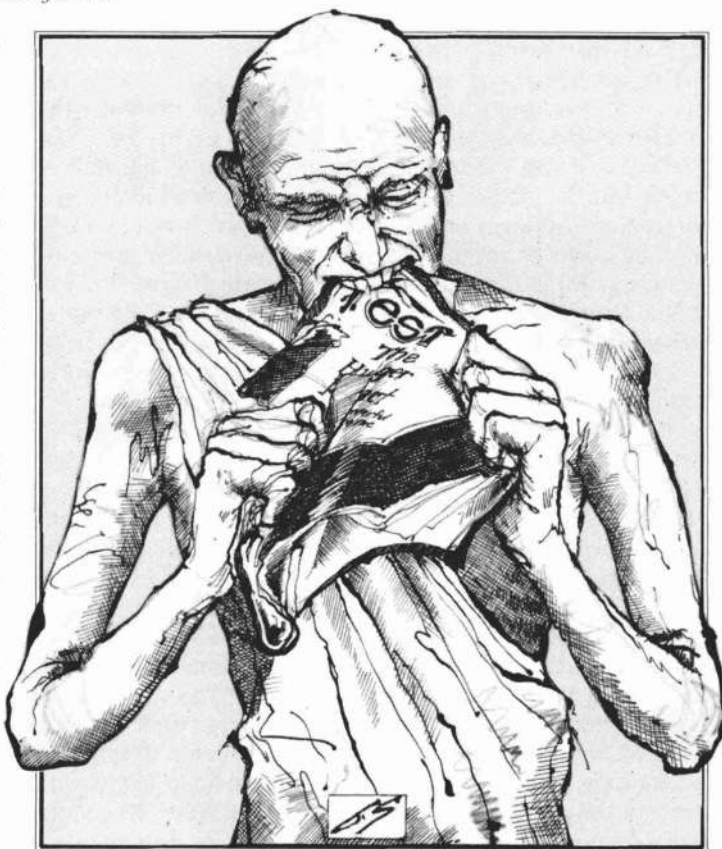
As we talk in Sant's Arlington, Virginia, office on the top floor of a building that overlooks the Potomac and Washington beyond, Sant radiates enthusiasm about Erhard and his latest undertaking. Currently a director of the Energy Productivity Center of the Carnegie-Mellon Institute of Research, an organization funded by, among others, Gulf Oil and Atlantic Richfield, Sant is a member of the Hunger Project Council and speaks officially for the Project. He admits that he has not "read enough to be even informed about the problem." But since Werner says that to know less is to know more, this doesn't matter. "In effect," he says of the Hunger Project, bouncing with enthusiasm, "it's the world working. That's the exciting part of that. . . . So if you can handle hunger, you sort of get to go on to everything else. If you can get rid of hunger, my gosh," he trills, "we might even be able to get rid of mental illness."

Besides Sant, Erhard has on his team another well-connected Washington executive—Greg Votaw, the former director of World Bank programs in East Asia and the Pacific. Votaw provided introductions for Erhard's trip to India and has introduced him to various hunger experts in Washington. And, finally, there is Roy Prosterman, a truly non-partisan hunger expert who has worked as a consultant in land development for such diverse nations as Brazil, the Socialist regime in Portugal, and South Vietnam (in 1967).

Roy Prosterman attended some of the first meetings between Erhard and former Presidential adviser Bourne. Prosterman and Erhard were able, Prosterman says, "to communicate a real sense of what the Hunger Project is about and *the kind of support that that might mean is waiting in the wings for the President. I'm persuaded that this is a thing that could greatly add to Carter's political capital to do lots of other things* [emphasis ours—MJ], that if Carter showed himself to be someone with the vision and leadership and the sense of the future that would allow him to make a commitment to join with others on the planet to end hunger by the year 2000, *I think he would be seen as a person of greater stature than he is now seen as being.*"

The Hunger Project is every politician's dream: a huge block of voters who have nothing to advocate and who will contribute their time and, although no one explicitly mentions it, their votes to the President and his programs. Erhard knows this, and Hunger Project staffers are quite open about their plans to go straight to the top. No matter who replaces Bourne on hunger issues, says Ellis Deull, president of the Hunger Project, "we'll be talking to him."

The Washington connection shows another side of Erhard's ingenuity in creating the Hunger Project. The Project manages to give Erhard a legitimate issue through which he can reach people in government (he could never, for example, have gotten Carter to provide direct governmental support to est), while providing his followers with a program that will both occupy their time and assure their continued allegiance. This latter result is no mean thing. Although Erhard has put more than 150,000 people through his training and retained the loyalty of many est graduates, there is always the risk that without ongoing programs, they will



move on to another of the many new consciousness gurus who have come after him. The Hunger Project minimizes this risk. Est graduates can become obsessed with hunger. And, when Erhard goes to Washington, est graduates all over the country can feel that they, too, have Jimmy Carter's ear.

["Werner Says . . ."]

ANY NEW VOLUNTEER TO THE HUNGER PROJECT coming to est headquarters in San Francisco is ushered into a huge, thickly carpeted room with large potted plants strategically placed next to partitions and walls. Overhead pipes and vents, painted various tones of orange and rust, crisscross the high ceilings. Partitions section off offices, without, however, actually dividing the area into private, soundproof rooms. Walking through the large, fragmented room, one has the uncanny feeling of people being together, occupying the same space, but never connecting. It's the same feeling one has at an est training session. There are 250 people in the same room, but they do not relate. In proximity one practices not intimacy, but the ability to maintain a discreet distance.

Proximity within distance, distance at the heart of intimacy, the same play operates in the Hunger Project's relationship to est. The volunteer has been told, upon calling the Hunger Project, that est and the Project are totally different organizations. Never mind that the Hunger Project caller's inquiry is answered with the familiar estian "Hello, this is Grace, how may I assist you?" It's not est. Never mind the fact that its offices are at est Central, that it uses est's phones, that est started it, that Werner Erhard is its chief spokesperson and that his picture and aphorisms adorn the

walls. Remember, it's not est.

Despite denials of any relationship, however, the two organizations are virtually one. Recently, for example, the Hunger Project purchased \$1,200 worth of tickets for a San Francisco World Affairs Council luncheon at which India's Prime Minister Desai was to speak. When the Indian consulate was distressed that the word "hunger" would appear on tables and programs, the Project conveniently switched identities. After purchasing the tickets with Hunger Project funds, they used est's name on its place cards at the tables (laden with crêpes Argenteuil, grilled mango and apple tart).

The Hunger Project is technically a separate legal entity, but in fact it functions as a recruitment arm for est. The experience of Hunger Project volunteers confirms this. From the moment she first went to the Project's offices in San Francisco as a volunteer, reported Lori Lieberman of the Center for Investigative Reporting, members of the Project staff concentrated on recruiting her to est. "I was greeted by Tracy Apple [a local Hunger Project staffer and est graduate]," she recounts, "who immediately asked me whether or not I had undergone the est training. When I said I had not, she reassured me that that was okay, but that it 'would be easier for you to work around the office if you do take the training because we use a different language and different ways of communicating around esties.' Pressure to take the est training continued throughout my five-hour stay. I discovered only one other person among the 20 or 30 people that I encountered to be a non-est graduate. She was an office worker. And as I was sitting in the bathroom, I heard two other women office workers harassing her because she had worked at the Hunger Project for a month and still refused to take the training. They said she was 'uncooperative, closed-minded and had a narrow perspective.' I was later asked to provide my car to chauffeur some out-of-town est officials around the city several days later.

"I was also struck," Lieberman adds, "by the emphasis on Werner Erhard. Everything was 'Werner says.' When I expressed confusion to someone about the way the Xerox machine worked, she explained that I 'really ought to study this machine because Werner says we all ought to get clear about how machinery works so that it doesn't control us.'"

Another Center for Investigative Reporting staffer volunteering at the Hunger Project described a similar experience. The effort to pressure him into taking the est training, says Dan Noyes, was as important as Hunger Project business: "When I asked Tracy Apple if est was important, she said 'I personally recommend it, but it's not essential. It will help you understand the Hunger Project and the man who created it. It's the greatest thing that ever happened to me.' Although she was careful to say that est was not essential to the Hunger Project, she then proceeded to pressure me to sign up for the two-weekend seminar, saying it cost \$300. She asked me when I had a free weekend and sat down to call and find out when the dates of the next Bay Area sessions were. I said I would think about it.

"The next time I came in, I saw Tracy Apple. After saying hello, the first thing she asked was 'Have you decided about your training yet?' She told me that I had to have the \$300 enrollment fee by the next day. She called to arrange for me to go down and enroll. When I went to a special est guest seminar the next week, I was surprised to see that it began jointly with a Hunger Project seminar, which then split up

into an est seminar and a Hunger Project seminar. My general impression was that there was no difference between the two." Hunger Project staffers expended so much energy trying to get Noyes to join est that they neglected to collect his Hunger Project enrollment card or to convince him to contribute time or money to the Project.

Such pressure in recruiting new est members comes as no surprise to anyone familiar with the organization. Est has monthly enrollment quotas and staffers are put under enormous pressure to fill them. "Werner once put out a list of ways to recruit people to est," explains one disillusioned former est staffer. "You would not believe the lengths staffers were asked to go to get people in the training. If someone called est by mistake, you know, a wrong number, you were supposed to not hang up but to try to recruit him. You were supposed to recruit your lover, your mate, your friends, your family, the milkman or paper boy. It was incredible." According to another former staff member, Werner explained the purpose of the Hunger Project as that of increasing enrollments in the est training.

One has only to do some minor arithmetic to determine how potentially lucrative a recruitment arm the Hunger Project is. There are, so far, about 180,000 enrollees in the Project. About two-thirds of them have not done est. This means est has more than 100,000 potential students in close reach. If only half of these people take est, that is \$15 million which Erhard can funnel into his offshore tax shelters.

Even when Erhard can't manage to recruit Hunger Project enrollees into est, est still has managed to get their ear and sometimes their money. Cleverly benefiting from the whole confusion between est and the Hunger Project, est officials recently mounted around the country a series of seminars on hunger, whose proceeds went directly to est. It worked this way: in a number of cities, the est organization held a seven-session "Hunger Project Seminar Series." Both est graduates and non-graduates were eligible to come. The purpose of the seminars, in typically estian language, was advertised as being to "support you in realizing your intention in making a difference in the world, in making the world a place that nurtures and enlightens human beings." The advertisement adds, "to register, call the est Center in the city where you want to take the series." Forty-two hundred people enrolled at \$30 apiece. The money, both Brian Van der Horst and Ellis Deull of the Hunger Project admit, went directly to est.

[Like a Temperance Union?]

ERHARD CLAIMS THAT THE HUNGER PROJECT HAS the support of other organizations that have been working for years to eradicate hunger. In February of 1978, he met in Washington, D.C., with representatives of those organizations to explain the Project to them. Erhard, Prosterman, Van der Horst—all insist the meeting was a fantastic success. Ellis Deull, the New York attorney, who is president of the Hunger Project, optimistically explains that people from hunger organizations are thrilled about the Project. "They're delighted to have us aboard," he enthused.

This positive reaction is contradicted by the facts. The *San Francisco Chronicle* reported a skeptical-to-hostile reception of Erhard at that February meeting. Many of the most

influential people in anti-hunger organizations are quite critical of the Hunger Project.

Lester Brown, for example. Vicki Sant was evasive when asked why Brown, who heads the Worldwatch Institute and is a widely respected expert in the field of world food problems, failed to appear at the Washington meeting. Mrs. Sant explained that he was absent from the dinner because he was "out of town." Yet internal Hunger Project memos state very clearly that Brown did not attend because he was, in principle, against the Project. When pressed again about Brown's lack of involvement, Mrs. Sant replied that Brown was not involved "because he just isn't." Brown, however, says he has repeatedly explained to Vicki Sant his objections to the Hunger Project, and that he is quite outspoken about why he just isn't involved. "You have to do more than just collect pledge cards to end hunger. They [the Hunger Project] remind me of when I was a boy, and they used to pass out cards for the Women's Christian Temperance Union in church," Brown elaborates. "I can't speak for the others who signed up, but they didn't work all that well for me.

"I have serious doubts about the social value of the Hunger Project," Brown continues, "about its real contribution to the alleviation of hunger. It's probably collected more money in the name of hunger and done the least about hunger than any group I can think of. Anyone who has a real concern

about hunger has to have some understanding and concern for social justice in developing countries, about existing inequitable structures, about rapid population growth. I can't see the Hunger Project doing anything about this."

[The Man in the Mobile Chair]

THE HUNGER PROJECT STAFFERS, WHO BUSILY recruit Project volunteers into est, insist that to understand the Hunger Project, you must understand Werner. If you want to understand Werner, take the training. That is Werner. They are right; the Hunger Project is Werner's. Whatever it does leads right up to his front door, then inside the hallways, through the thickly decorated rooms and the extraordinarily invasive comfort of his Franklin Street Victorian mansion in San Francisco.

Any experience of Werner Erhard is orchestrated in advance. The environment in which he lives is as much a part of an interview with him as the words he purrs out—thousands of them, wending their way past logical intervention—or the warm handshake of greeting, or the obligatory parting hug. The interior of the Franklin House is overwhelming, opulent, dripping good taste and prosperity. Plants—perfectly watered and tended so that not the slightest brown curls

Where Erhard Lauanders The Money

TRYING TO TRACE THE FLOW OF MONEY through Werner Erhard's est operation is a bit like watching the flight of a golf ball on television. The commentator excitedly shouts "There it goes!" but all you can see is an endless fairway and trees waving in the wind.

In Erhard's case, the grass and trees that have swallowed up the golf ball are provided chiefly by Harry Margolis, a skillful California lawyer who has improbably combined a leftist past, an enthusiasm for est and an expertise in the arcane and lucrative field of offshore tax shelters.

After examining many documents and interviewing many sources, *Mother Jones* has pieced together the following picture of the complex financial shell Margolis has built for est:

Erhard Seminars Training, Inc. (EST—the use of the lower case came later) was born late in 1971, when Margolis changed the name of Saratoga Restaurant Equipment, a corporation in his office, to EST.

As EST was being formed, Erhard sold, for a promise of \$1 million, what he called his "body of knowledge" to Presentaciones Musicales, S.A. (PMSA), a Panamanian corporation, whose nature, musical or otherwise, remains hidden behind the Panamanian secrecy-in-business laws designed to attract U.S. investors. EST then turned around and paid PMSA \$1.2 million for the license to that body of

knowledge for ten years.

What's known of PMSA's recent history leads to Margolis. Everyone *Mother Jones* could find who was associated with recent PMSA activities was a Margolis employee.

Another oddity: EST originally had no money to pay PMSA for the license on the body of knowledge. To get the money, EST borrowed \$1 million from a Nevada corporation named International Aesthetics Limited (IAL), and sold IAL \$200,000 worth of EST stock.

What kind of a company would loan \$1 million and invest \$200,000 in EST, a then brand-new firm with no success record, no money, no assets and no collateral except an intention to buy a license to use Erhard's knowledge? Again, the answer leads back to Harry Margolis. All IAL officers and directors worked out of Margolis' office.

This complicated series of paper shuffles created important tax benefits for Erhard. In selling the body of knowledge to PMSA as a capital asset, Erhard could claim that PMSA's million-dollar promise was "capital gain," rather than ordinary income. Under U.S. tax laws of the time, only half of the \$1 million would be taxable as capital gain. And by receiving a promise to be paid over ten years instead of \$1 million cash, Erhard could have the money trickle in slowly enough to avoid placing himself in higher tax brackets.

Did that \$1 million really exist somewhere, or did Margolis construct an empty prefabricated tax shelter for a million dollars Erhard hoped to collect in future years from people who took his training?

That is one question the IRS tried to answer when the government, in 1975, indicted Margolis on 23 counts of tax fraud and one count of conspiracy. Mentioned in connection with the indictment were EST, IAL and the two million-dollar deals, which, the government charged, had never really taken place.

Federal lawyers argued that all the paperwork had been drawn up and shuffled by Margolis employees. But in 1977, a jury acquitted him. Court observers say that too many companies hid behind their status as foreign corporations, and ambiguities in tax law confused the jury.

Meanwhile, back to Erhard and the million dollars that may or may not have existed. Prior to the Margolis indictment, the IRS had disallowed Erhard's claim that the sale of his knowledge brought him capital gain. Furthermore, PMSA's word that it would pay up sometime during the next ten years wasn't good enough, in the government's view, to qualify for taxation on the installment plan.

So the feds slapped Erhard with an income-tax bill on the million dollars, amounting to nearly half that amount. Currently, six tax cases against est and

the end of leaf—protrude from enormous wicker baskets. In the midst of this modern decor is a collection of African and Oriental gods and goddesses, among them an ancient Buddha. Puzzled, or in impassable resignation, he tends to his inner life while above him, from the midst of a clutter of ferns, a single, rocket-shaped sculpture juts out from the wall. The tip is whittled to a sharp point. Lethal, phallic, primitive, it seems a reminder that no matter how carefully assembled is this collection of dormant divinity, the primary theme is power—hard, driving, alive, spikelike, nailed through the trappings of aesthetics.

I am told, as I walk in, where the interview will take place. "Here is your chair," a young man points to a thick, overstuffed armchair. "Put your tape recorder here," he points to a table, "and here is where Werner will sit." Erhard's chair, unlike any other in the room, is a comfortable office chair on casters, apparently out of place in this well-decorated living room/library.

After a half-hour delay, Erhard finally appears. He is better-looking than his stage or screen image. He is filled with charm. From his perfectly coiffed head to perfectly shod toe, the effect is deliberate and immaculate. Clean-shaven, white-shirted—several buttons, but not too many, open from the collar—he is a blend of browns that match the beiges and browns of the room in which we sit.

He smiles, shakes my hand, tells me how much he appreciates all the work I've put into this article. A rare thing, he compliments, to do so much work. Then, after the preliminary flattery, he begins to tell me the Hunger Project line. Word for word he goes on and on. When he is not intent on seduction, he is haranguing. And suddenly, the role of the chairs becomes clear. I am stationary, sitting back from him some six or eight feet. But he moves. He rolls in and back, intense and then relaxed, close and far. In control, while I am immobile.

The Hunger Project, he says, is about one thing and one thing only. "The Hunger Project represents a significant opportunity for us to learn what the principles of things working are. If we can discover the principles by which you end hunger and starvation," he explains, his eyes monitoring my every gesture, "we can discover the principles by which you handle . . . prejudice, by which you handle . . . violence." The pauses around the words are deliberate.

Because of its political and social value, the Hunger Project, Erhard declaims as if addressing 10,000 people at the Coliseum, is immune to the bad publicity est has received. "I don't think that est's relationship to the Hunger Project is really very much of a detriment. I think you can make a case for its being a detriment, but I don't think that it is," Erhard continues. "In fact, it's proven that it's not. The en-

Werner Erhard, dealing with different aspects of their income, are lined up in U.S. Tax Court while Margolis and the IRS counsel conduct pre-trial negotiations.

NOW, OUR INVISIBLE GOLF BALL suddenly bounces off in a different direction. Perhaps Margolis felt shaky about his prospects of winning a case involving a body of knowledge no one could see, touch, patent or copyright. Or, perhaps, EST income had just outgrown the million-dollar shelter. Whatever the reason, Margolis has created a brand-new set of corporations to house Erhard's empire. Four months after the IRS began asking for back taxes, public documents recorded the creation of "est, an Educational Corporation"—a for-profit California business, owned by the Werner Erhard Charitable Settlement—a tax-exempt trust on the Isle of Jersey. Any est profits flow to Jersey, after the government diverts 30 percent to the U.S. treasury.

But 30 percent is a big dip. So est the second, like EST the first, shows a paltry profit, when it shows one at all. How can est avoid showing a profit when we know 161,395 people have taken Werner Erhard's training, now selling at \$300 a shot? A good question. The answer is that before reporting any income, est pays for the use of Erhard's "knowledge." That knowledge has now found its way from Panama to its current owner, Welbehagen, B.V., a Dutch corporation. Est pays royalties to Welbehagen for using the body of knowl-

edge, while Welbehagen pays only 7 percent in Dutch taxes. Then, all Welbehagen's after-tax profits go to the Werner Erhard Foundation for est, which is headquartered in Switzerland.

Just how much may be piling up in Switzerland is hard to say, since Swiss tax returns are private. Available documents show that through April 30, 1973, EST, in its first corporate incarnation, paid out nearly \$300,000 in "interest" and "amortization." How much of that—or whether all of that—went to Welbehagen, the Swiss foundation or Erhard, no one knows.

During the first six months of est's reborn corporate existence, revenues through

February of 1976 totaled almost \$6 million. Nearly one-fourth was reported to have been paid out in "interest" and "amortization."

Income and expense figures since March of 1976 are unavailable.

What of Erhard's first million? PMSA no longer owes it, since Erhard cancelled the contract without payment in 1975. Last year, at Margolis' trial, Erhard couldn't remember whether he was still owed the million dollars. —Arnold Levinson

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rollments in the Hunger Project are an absolute statement that est is not a problem for people. That doesn't mean that it's not a problem for some people."

The main person for whom est is not a problem is, of course, Erhard himself. Despite the fact that the law makes distinctions between for-profit and nonprofit corporations, Erhard seems to think that a "really big" person does not occupy himself with such pettiness. "For me," he explains, "the whole issue of what's est and what isn't est had disappeared. I know that is not true for most of the rest of the world, but, for me, the boundaries have kind of washed away. I'm fairly clear that whatever's happening in est is really happening in the world, so how can you call it est? It's what's happening, and I'm very clear that it's what's happened. I used to be clear about that when nobody was clear about it. And therefore I didn't see much use in saying it very often, although I did from time to time. But now I don't think it's my clarity any more. I think that people are pretty clear it's what's happening."

Struggling to find a way out of this extraordinary, overwhelming maze of language, I ask Erhard about his connection with the controversial tax attorney Harry Margolis, one of the IRS's prime targets in its attempt to close offshore tax loopholes. Erhard's continuing relationship to Margolis—whom he says he would never abandon because it's simply not his policy to "sacrifice" people, even if they were indicted for tax fraud (of which, he cautions, Margolis has been acquitted)—seems particularly ironic. For here is a Project that Jimmy Carter feels he will be able to support, but that is rooted in est, an organization heavily tied into the offshore tax havens Carter constantly rails against. But Erhard has never been troubled with irony, either on the score of Margolis or his own efforts to pay as little taxes as possible. "It's incumbent on a person to be responsible within the system in which they function to function in a way that's most workable. For instance, in my personal tax return, I pay the maximum amount of taxes that I can pay," Erhard outlines his generosity. "I just take a standard deduction, whatever it is. I don't even understand what I'm saying, totally," says the man who is responsible for everything in the world, trying to wiggle out of responsibility for this par-

ticular issue, "because I don't know all the words to use. But I don't make up deductions for my tax return. [But for est] you maximize your assets in an organization by paying the least amount of taxes."

If Erhard did take the standard deduction on this year's tax form, it was a radical departure from his past practices: the IRS is now questioning a series of Margolis-engineered deductions that Erhard made in the early '70s on interest payments to paper corporations overseas, as well as Erhard's personal expense deductions that the IRS claims are invalid. Ironically, if the IRS has its way on one of the cases and disallows his deductions, they will grant him just that: the standard deduction.

Erhard does not like my line of questioning. He acknowledges that it is my job, my responsibility, but it was not what he had in mind. Nor is my response to him, it seems, a part of his symphony. At our initial greeting, he was thrilled by my efforts. Now, as we part, he dismisses me. "See, I don't really give a damn what you write because that's none of my business. That's your job, and not my job. And I don't want you telling me how to do my job, so I'm not going to presume to tell you how to do your job. You might even be a jerk and write something stupid, which would really be all right with me," he says, giving me permission to be an idiot, encompassing my potential stupidity in his world, "because God must have loved us jerks, he put a lot of us around. . . . I don't think this story is going to make any difference one way or the other. I have very little concern about one day's output. But, it's kind of a shame that you had to put so much time in for one output. But that's the way business is."

True, Erhard says, he appreciates me—his experience of my experience of the Hunger Project. As for my story, well, it's a pity so much effort for nothing. Or, as he tells someone several days later when speaking of our meeting, "You know what happens to magazine articles, they're used to wrap fish in the next day."

Suzanne Gordon is the author of Lonely in America and many articles for Mother Jones and other magazines. This article was completed with the aid of a grant from the Fund for Investigative Journalism.

If You Really Want to End Hunger...

THE HUNGER PROJECT, AS THE STORY ON these pages shows, has other goals more important than the elimination of world hunger. But if you really want to do something about famine and malnutrition, here are some groups to get in touch with:

The Interfaith Center for Corporate Responsibility (475 Riverside Drive, Room 566, New York, New York 10027, (212) 870-2295) has helped organize a boycott against companies that distribute infant formula to the Third World, the cause of "bottle-baby syndrome" malnutrition (see *Mother Jones*, Dec. '77). With affiliates all over the country, ICCR can use volunteers. **The Institute for Food and Development**

Policy (2588 Mission Street, San Francisco, California 94110, (415) 648-6090) is a research and education center reporting on government food policy and agribusiness. It maintains a resource library and distributes many articles and pamphlets. **World Hunger Year** (P.O. Box 1975, Garden City, New York 11530, (516) 742-3700) provides resource materials for classrooms and community groups. Its bi-monthly publication is called *Food Monitor*. **The North American Congress on Latin America** (P.O. Box 57, Cathedral Station, New York, New York 10025, (212) 749-6513; or P.O. Box 226, Berkeley, California 94701, (415) 835-0677) researches the

political economy of the Americas, with frequent attention to agribusiness. *NACLA Report on the Americas* is its bi-monthly publication.

Among the best books on hunger and related problems are: *Food First: Beyond the Myth of Scarcity* by Frances Moore Lappé and Joseph Collins with Cary Fowler (Houghton Mifflin, 1977), *Hunger for Profits: U.S. Food & Drug Multinationals in Latin America* by Robert J. Ledogar (IDOC/North America, 1975), and *As You Sow: Three Studies in the Social Consequences of Agribusiness* by Walter Goldschmidt (Allanheld, Osmun, 1978).

—Ruth Henrich