

the Economic Justice Monitor

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Crisis not only creates opportunities, it engenders new paradigms. It can open people's minds to new ways of looking at the world and new approaches for solving problems.

This issue of *Economic Justice Monitor* focuses on CESJ's efforts in two nations where the problems are dire, but the opportunity for change is great. Uganda and Bangladesh are among the world's poorest countries, yet are rich in natural resources and human potential.

In Uganda and Bangladesh, as in other developing countries, the failure of socialism to deliver liberty, prosperity and justice for all has prompted a push for free market reforms. Yet, conventional capitalist approaches appear to be widening the gap between rich and poor. As they witness the resulting social conflict and economic instability, some leaders and scholars in these countries are seriously questioning whether free markets alone will close that gap, and whether Wall Street capitalism can ever build a sustainable and just market system.

Not surprisingly, it is often in the places where the pain is most acute that people are most open to truly revolutionary ideas. Thanks to the outreach initiatives of people in the CESJ network, leaders in Uganda and Bangladesh are beginning to study and promote the comprehensive systems logic articulated by expanded ownership economist Louis Kelso and social justice philosopher Fr. William Ferree. As they look beyond the two dinosaur paradigms of capitalism and socialism, more people around the world are beginning to see that there may be a more workable and just "third way." ▲

To learn more about the socio-economic paradigm which CESJ calls the "Third Way," visit our website at www.cesj.org or contact CESJ for more information.

"Third Way" Moves Forward in Uganda

CESJ member **Bruce Mazzie**, now stationed in Uganda as head of the USAID-funded **PRESTO** project, has been introducing decisionmakers to CESJ's framework for transforming Uganda's economy to a just market system.

Following **Norm Kurland's** visit in November 1997, Bruce Mazzie arranged for Norm to return to Kampala in late May to advise on the privatization of state-owned companies, using the employee stock ownership plan (ESOP) and related

economic democratization vehicles for building widespread citizen ownership.

Accomplishments on the Uganda Trip

► Bruce arranged a number of high-level meetings, seminars and workshops for Norm, including a seminar which included three members of Parliament and two top people in Uganda's Privatization Unit. A critical objective was to build support for a buyout of the National

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Social Justice Comes Full Circle in Bangladesh

40 years ago, Fr. William Ferree (who later co-founded CESJ) spoke at Maryhurst High School in Kirkwood, Missouri before an audience of high school students. Fr. Ferree, then a member of the Generalate in Rome of the Catholic Marianist order, had recently visited Marianist communities in Japan. He expressed his deep concern that there was not a single Marianist in mainland Asia.

One of the students, **William Christensen**, was inspired by Fr. Ferree's words. He became a Marianist priest working in South Asia, the world's most densely populated area.

Just as the late Mother Teresa is celebrated for her organized acts of charity for the poor of Calcutta, **Fr. William Christensen** is renowned for his 20 years of organized acts of social justice for the poorest of the poor of South Asia. He has focused his efforts in Bangladesh—a country about the size of Illinois in the U.S. with a population of about 125,000,000. 65% of the people in Bangladesh are malnourished and the annual per capita income is \$260.

In 1987 Fr. Christensen, known as "Brother William" to his associates, top-level officials, and the poor he serves, helped found in Bangladesh the **Institute for Integrated Rural Development (IIRD)**. Supported by funding from the the European Commission, Belgian government and other European and American sources,

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CESJ Meeting with Sir Edward Heath

On route to his consulting visit in Uganda in May, Norm Kurland stopped over in England to meet with former British Prime Minister **Sir Edward Heath**. The meeting with Sir Edward, a foremost proponent for a European common currency, was arranged by **Antonio Betancourt**, President of the **World Institute for Development and Peace**, and **Nicholas Littlewood**, an investment banker formerly with Lehman Brothers. It resulted from Sir Edward's interest in the expanded ownership concepts and Kelsonian monetary reforms which CESJ members **Dr. Norman Bailey** and **Norm Kurland** had presented at a Federation for World Peace conference in November.

Accompanied by Mr. Littlewood, Norm drove to the luncheon meeting at

Sir Edward's country estate, an hour from Gatwick Airport. After responding to some of Sir Edward's thoughts and concerns regarding worker ownership, Norm discussed how a "Third Way" thrust could overcome some of the political opposition to a European common currency. Sir Edward mentioned at the luncheon that he would forward CESJ's materials to some of his friends in high places. One objective raised was to hold a seminar of leaders on how the advent of the Euro, if linked in with the Third Way, could unify the countries of the European Common Market. ▲

CESJ Presents "Third Way" to World Leaders

Two hundred global leaders, including several former heads of state, attended a panel presentation in late November given by CESJ spokesmen

on "The Role of Money and Credit in Expanding Ownership Opportunities." The panel was part of a week-long conference in Washington, D.C. on "A World Vision for the 21st Century" sponsored by the Federation for World Peace. CESJ friend **Antonio Betancourt**, President of the World Institute for Development and Peace, was one of the key organizers. **Norman Kurland** and **Dr. Norman Bailey** were the main speakers on the panel, with former Lebanese **President Amin Gemayel** serving as moderator.

President Gemayel opened the panel with an eloquent statement calling for "a new approach to international economic development." He warned against institutionalizing in developing countries a rigid free market model which merely creates new capitalist elites. He called for a "bottom-up" approach to development where consumers and workers "must

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Our Core Values

Successful organizations start with people firmly committed to a set of core values, which cannot be compromised without weakening the organization. CESJ's strength, unity and programs flow from our founding principles, agreed upon by consensus from our first meeting in April 7, 1984. Our core values were developed to guide us in our work, to attract others sharing these values and to serve as the very basis of CESJ's existence.

We think that our core values, once understood, are universally appealing. We see this reflected in the broad diversity of the backgrounds of those who come together because of these shared values. The essence of our founding principles has not changed from the founding of CESJ. But, as we discuss them together and with others, we will continue to refine and clarify our values by consensus. The following are CESJ's core values:

- ▶ There is an Absolute Source of all creation and of all absolute values such as Truth, Love and Justice, which represent the ultimate ends of human actions. Most people call this Absolute Source, God.
- ▶ Nothing should stand between God and the human person.

- ▶ There is a hierarchy of human work: The highest form of work is perfecting the social order to elevate each person in his or her relationship to God. The lowest but most urgent form of work is for sheer personal survival.
- ▶ In interacting with nature to promote one's own perfection, every person must respect the rest of creation. Each human being, a steward of nature, remains responsible for conserving natural forms of existence, each of which is interdependent and shares the same divine origin with humanity.
- ▶ Under the highest sovereignty of God, all sovereignty begins with the human person—not social institutions such as the State, the business corporation or the labor union.
- ▶ The essential means to achieve the sovereignty of the person include such inalienable human rights as the right to life, liberty, and access to productive property and free markets, equality of opportunity, and the secret ballot. These rights—including the rights of property—are not ultimate ends in themselves, but they are intermediate ends or fundamental means

to enable each person to pursue Truth, Love and Justice.

- ▶ People create tools, shaped from the resources and energies of nature, to support the economic and social sovereignty of the person. Through private property ownership, each person can become master of the technology needed to realize his or her fullest human potential and dignity.
- ▶ People also create social institutions—including the State, the business corporation and the labor union—each as a highly specialized "invisible tool" designed to serve a highly specialized social function within a just social order. Institutions, as organized expressions of society's values and goals, largely determine the quality of each person's individual and social life. As historical creations of humanity carrying within themselves the wounds of history, institutions are continually in need of healing and perfecting.
- ▶ The highest responsibility of each person is to pursue absolute values and to promote economic and social justice in his or her personal life and all associations with others.

be given the opportunity to participate in, own and control the means of production.”

Norman Bailey spoke on “World Monetary Policy, Historic Roots, Trends and Future Options for the 21st Century.” Dr. Bailey emphasized that proper monetary policy can play a key role “in encouraging the development of a society where employees first and eventually society as a whole will gradually gain an ownership stake in the means of production, leading to a flourishing capital market and a country where prosperity is indeed limited only by the propensity of the individual citizen to work and to create.”

Norman Kurland then spoke on “The Third Way: Toward Economic Empowerment and Justice in the Emerging Global Marketplace.” He presented the case for a new economic model for the Third Millennium. He asserted that “control over money and credit is as important as the ballot in creating a democratic order.” Through national and global “capital homesteading” strategies, Norm suggested, an economic foundation for political democracy can be established in developing as well as developed nations.

Among the world leaders responding favorably to the panel presentation were **Sir Edward Heath**, former **Zambian President Kenneth Kaunda** (considered the “George Washington” of the African liberation movement), and former French **Prime Minister Michel Rocard**. Sir Edward Heath remarked to Antonio Betancourt that he found the “Money and Expanded Ownership” panel to be the most important of the conference. Sir Edward was given a copy of *Curing World Poverty*, and later sent Norm a gracious note of thanks. ▲

CESJ Representatives Meet with Kenneth Kaunda

Following the Federation for World Peace conference, CESJ’s **Norm Kurland** and directors **Dawn and Rowland Brohawn** were honored with a private meeting with former **Zambian President Kenneth Kaunda** and two personal aides. Norm Kurland gave President Kaunda a signed copy of CESJ’s *Curing World Poverty: The New Role of Property*. A lively exchange ensued on the Third Way and how it related to Kaunda’s own philosophy.

President Kaunda, who calls himself a “Christian Humanist,” expressed great enthusiasm about CESJ’s Third Way concepts. He also agreed with

Norm that if the world debt crisis is going to be solved, we need leaders operating from the right paradigm. Neither the capitalist nor socialist models are sufficient for fully liberating the people of Africa, President Kaunda acknowledged. He agreed to deliver a signed copy of *CWP* to Nelson Mandela, with whom he was supposed to meet in a week.

Unfortunately, upon his return to Zambia while attending a political rally of the opposition party, President Kaunda was arrested, with no charges ever brought against him. President Kaunda was held under house arrest until his release in June 1998. CESJ is thankful to learn of President Kaunda’s release and hopes to re-establish contact with him in the near future. ▲

“Third Way” Moves Forward in Uganda *Continued from page 1*

Insurance Company (NIC) by the employees and customers through a leveraged ESOP and CSOP.

The ESOP-CSOP privatization proposal faces strong opposition from people in Uganda’s Privatization Unit. They are being advised by consultants pushing the Wall Street privatization formula to hold any employee ownership to a minority position or limit it to management, selling the balance in a public offering.

In the face of opposition to the employee-customer buyout, a political effort is being launched to reach President Museveni and gain his support for NIC’s proposal. Among the supporters Bruce has enlisted are **Hon. Myanja Nkangi**, Minister of Justice (who was formerly the Minister of Finance) and **M.P. Manzi Tumubweinee**, Chairman of the Finance Committee and the Russell Long of Uganda’s Parliament. **M.P. Elly Karuhanga** who heads up a leading law firm has been retained by NIC to be their out-

side counsel to advise on the NIC employee buyout.

► *The New Vision*, one of Uganda’s leading newspapers, interviewed Norm Kurland following his seminar sponsored by PRESTO. The article focused on the use of insurance to serve as security for productive loans. By means of capital insurance and reinsurance, local entrepreneurs, employees and other citizens seeking loans for capitalization and acquisition purposes can overcome the historic barrier of “lack of collateral.”

► CESJ friend **Laurence Baer**, in Kampala for the **Family Federation for World Peace**, introduced Norm and Bruce to a women’s grassroots network and a federation of university professors. Norm felt that this group could help spread CESJ’s Third Way message to students and teachers throughout Uganda. This led to a meeting with the main author of “Vision 2025,” President

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"Third Way" Moves Forward in Uganda

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Musevini's long-term vision for overcoming poverty in Uganda.

- Thanks to Bruce Mazzie's work in Africa, a new generation of African leaders and scholars are surfacing who are studying seriously the principles and applications of Kelsonian economics and the Third Way. One up and coming leader, **William Mbonigaba** (who recently received his masters degree in ethics), acted as Norm's research assistant and trip escort. Mr. Mbonigaba prepared a scholarly critique of Bruce Mazzie's articles on ESOP and the Third Way, concluding the ESOP would be an effective tool of social justice and expanded capital ownership for Uganda.

Update on CESJ Uganda

CESJ Uganda has successfully completed the first phase in the chartering process, and has been certified as a CESJ Chapter-in-Formation. The stellar group of 27 founding members includes four members of Parliament, corporate executives and other professionals. They have held a series of consecutive monthly meetings (opening with a participatory reading of the CESJ Core Values and Code of Ethics) to study and implement the Third Way in Uganda.

The group has chosen an outstanding leader as its first president, the **Hon. Manzi Tumubweine, M.P.** (who was recently named to a Cabinet level post), with **Ida Wanendeya** serving as Secretary, **Sara Kitakule** as Treasurer, and **Hon. Beatrice Kiraso, M.P.**, **Yona Kanyamosi**, and **Samwiri Sebuufu** (the CEO of the National Insurance Corporation) as members of the Chapter Board. During his visit, Norm commended the group for establishing the first chapter of CESJ outside the U.S. ▲

Social Justice Comes Full Circle in Bangladesh

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IIRD is providing a hope-filled view of the future and a replicable model of rural development in a country Henry Kissinger once called "the basket case of the world."

Chaired by **Dr. Muhiuddin Khan Alamgir** (Bangladesh's State Minister for Planning, Science and Technology), IIRD's comprehensive social and economic programs reach the poorest 40% of families in 4 separate geographical areas of Bangladesh, each with 250-300 villages and about 300,000 people. The IIRD model has been fully tested and is a proven success in raising the economic empowerment and self-reliance of the families it serves.

CESJ Travels to Bangladesh

When Fr. Bill Christensen learned that CESJ had republished Fr. Ferree's *Introduction to Social Justice*, he wrote CESJ to get a copy. He then purchased a copy of CESJ's "textbook for change," *Curing World Poverty*, and then 11 more copies of *CWP* for his associates around the world. This contact led to an invitation by IIRD for Norman Kurland to visit Bangladesh from January 16-30, 1998.

Thanks to the help of IIRD's chairman Dr. Alamgir, and the tremendous groundwork laid by **Mr. Hasan Ali** (Executive Director of IIRD) and Fr. Christensen (IIRD Consultant), Norm held many meetings, workshops, and seminars in Bangladesh with top government officials, labor leaders, officials of the World Bank, NGO and donor agencies, scientists, industrialists, scholars, students, and the media. Among the key accomplishments during Norm's trip:

- A two-hour meeting on the "Third Way" with **Mr. S.M. Zakaria**, Additional Secretary of the Privatization Board, followed by brief meetings with **Mr. Kazi**

Zafarullah, Chairman of the Board, and later with Textile Minister **A.K.M. Jahangir Hossain** and Industry Minister **Tofael Ahmed** to present CESJ's ideas.

- A seminar on the Third Way delivered at the invitation of **Mr. Mukhlesur Rahman**, President of the **Bangladesh Sanjukta Sramic Federation (BSSF)**, a non-partisan coordinating body of all labor federations in the country. The 30 labor leaders who attended responded favorably to the new ideas they heard.
- A seminar on the Third Way which Norm delivered to 50 scholars and non-governmental organization officials, including **Edward Adams**, Nuncio of the Holy See. The seminar was opened by Dr. Alamgir, State Minister for Planning and for Science and Technology, who is also the Chairman of IIRD and BIDS.
- A meeting with **Dr. Mizanur Rahman Khan** of the **Bangladesh Institute of International and Strategic Studies (BISS)**. In 1990 Dr. Khan had attended a lecture of Norm's in Rome and later wrote a paper on privatization incorporating Kelsonian ideas. Another favorable meeting was held with **Dr. Kabir Ahmad**, who has taught economics at Harvard and Princeton.
- A meeting arranged through **Vital Kellens** of the Belgian Embassy with **Dr. Haseeb** and **Dr. Ehsanul Haque** of the Materials and Metallurgy Department of **Bangladesh University of Engineering and Technology**. Drs. Haseeb and Haque were especially interested in some of the advanced waste-to-energy technologies being proposed in CESJ's projects for Washington, D.C. and Southern

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Social Justice Comes Full Circle in Bangladesh

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Illinois. Subsequently, Norm met with 19 professors and students at the University to discuss introducing these advanced solar, waste and fuel cell technologies into Bangladesh.

► A pivotal meeting with State Planning Minister Alamgir, Hasan Ali and Fr. Christensen. Dr. Alamgir expressed support for: (1) the formation of an **Economic Empowerment Board** (to include representatives of government and labor), (2) the **20-point action agenda** for ESOP privatizations of state-owned enterprises which Norm had helped to draft, (3) the concept of the **Community Investment Corporation**, and (4) the formation of a **CESJ branch in Bangladesh**. He later provided an introductory letter to support Norm in making contacts on behalf of Bangladesh with the IMF, World Bank and other agencies.

► A seminar-discussion on the Third Way, co-sponsored by the **Bangladesh Human Rights Commission** and **IIRD**. This forum was attended by 60 people, including **Barrister Mainul Hossain**, Chairman of Ittefaq Group of Publications. Barrister Hossain committed to publishing CESJ's article on the Third Way in *The New Nation*, an English daily of his group. Norm was also interviewed on national radio, where he discussed the Third Way as a new framework for economic development.

► A meeting with **Forrest Cookson**, President of the Bangladesh unit of the **American Chamber of Commerce**, and a representative of Unocal oil and gas company. Fr. Christensen and Norm discussed with them an expanded ownership strategy for financing the pipeline to be constructed by Unacol in Khulna in southern Bangladesh.

Witnessing IIRD's Work

One of the field trips arranged for Norm was at IIRD's project in Kachua Thana in eastern Bangladesh. Accompanied by **Md. Siddiqur Rahman**, IIRD Director of Field Operations, Norm observed IIRD's concentrated effort with the poorest 40% of families to help them become economically self-reliant. IIRD's successes include:

- 762 self-help groups of women engaged in raising family incomes through microcredit committees, mutual savings plans, and family finance and entrepreneurship training
- Microentrepreneurship loans, with equity ownership and profit sharing opportunities for workers
- Integrated health, nutritional, child care and family planning services
- 400 small schools graduating 6,500 children annually
- A textile factory with 700 workers and several small industry projects employing from 20-40 women
- Water purification, sanitation and environmental control projects
- Fish and duck farming
- A tissue culture laboratory for developing disease-resistant plants
- \$40 million worth of trees planted for flood control and reforestation
- 131 tree nurseries for producing fruit and timber saplings, and for silkworm farming
- 19 kilometers of canals and 79 bridges and culverts constructed
- 282 homeless families permanently resettled in homes on government lands
- 6,000 families provided new housing

Bangladesh Forms Economic Empowerment Board

One major recommendation adopted during the trip was the establishment of an interdisciplinary coordinating and policy-making body, called an **"Economic Empowerment Board"** (EEB), to act as an independent advocate for the Third Way and to help workers buy state-owned enterprises (SOEs) put up for sale by the government.

The 12-person EEB—to be made up of 2-3 persons each from labor and government as well as experts in technology, finance, law, marketing, and management recruitment—will act in liaison with the government-established Privatization Board. IIRD agreed to serve on the Board to champion **Value-Based Management** training of workers and managers, which was deemed critical for the successful transformation of industries to employee ownership.

CESJ Strategies Adopted

Another important development was a **20-point action plan** developed under Norm's guidance for economic democratization through worker and citizen buyouts of targeted SOE's. These steps include the government's commitment (1) to provide low cost credit for the buyout, modernization, redundancy and working capital needs and (2) to fund the "front end" costs of restructuring those SOEs that show promise of operating as viable enterprises. Assistance would also be provided for all necessary feasibility studies, financial and marketing plans, implementation of any needed legislative reforms, and Value-Based Management training.

Five consecutive monthly meetings of the EEB formation group have been held. At the first meeting of the

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CESJ Active at ESOP Association Conference

At the **ESOP Association's** national conference in May, CESJ's **Dawn Brohawn** moderated a panel discussion attended by over 120 people. Speaking on the panel were representatives from three companies acclaimed for their leadership in the ESOP community: **Joseph Cabral**, President and CEO of **Chatsworth Products, Inc.** (Westlake Village, California); **Cheryl Volkman**, President and founder of **AbleNet, Inc.** (Minneapolis, Minnesota); and **Fred Owens**, a machinist, Treasurer of the local Steelworkers union, and ESOP trustee at **Bliss-Salem, Inc.**, (Salem, Ohio).

The panelists discussed how to build pride and responsibility in an employee-owned company. Dawn then led a participatory session with the audience developing responses to a series of questions on building an ownership culture. CESJ's new article on "Value-Based Management: A System for Building an Ownership Culture," was published in the conference proceedings book. (Copies are available from CESJ.)

Promoting Ownership Education

To help the Association promote employee ownership communications and participatory workplaces, CESJ's **Rowland and Dawn Brohawn**

conducted several hours of videotaped interviews with representatives of ESOP companies who won awards in the Annual Award for Communications Excellence (AACE) competition, honoring outstanding examples of ownership communications in ESOP companies.

Dawn learned from the interviews that the book she edited for The ESOP Association, entitled *Journey to an Ownership Culture* (Scarecrow Press, 1997), had provided inspiration and ideas for two of the companies who won AACE awards. ▲

Social Justice Comes Full Circle in Bangladesh

Economic Empowerment Board, the 20-point plan and CESJ's "two-pronged" economic democratization strategy were reviewed.

Attending the meeting were **Mukhlesur Rahman** (head of the Bangladesh Labor Federation), **Ahsanulla Master** (labor leader and Member of Parliament), **Mr. S.M. Zakaria** (Additional Secretary of the Privatization Board), and four officers from IIRD (**Md. Hasan Ali, Siddiquer Rahman, Rafiqul Alam, William Christensen**).

Later meetings included **Barrister Shafique Ahmed, Abdur Razaque Khan** (Advocate, Supreme Court), **Mohammed Ali** (Joint Secretary of Ministry of Labor and Manpower), **Md. Ahsan Ulla** (Member of Parliament and General Secy. Jatio Sramic League). The EEB formation group has expressed its commitment to the principles of the 20-point plan, with comments that it is "a realistic and good [plan]."

CESJ Bangladesh Being Formed

11 people, including labor and religious leaders, scholars, government officials and representatives from IIRD, met in March to discuss forming a Bangladesh CESJ as the think tank of the Third Way movement. After brief self-introductions, there was a lively discussion on economic justice, the CESJ "two-pronged" plan for economic democratization (containing a 10-point plan for privatizing existing state-owned enterprises and an 8-point plan for building a new expanded ownership economy), and the "four pillars for a just economy." Several documents from the CESJ "Organizing Manual" were distributed.

At a subsequent meeting, members discussed the purpose and mission of the chapter. The focus of CESJ Bangladesh will be on ideas. Its mission will be to provide the conceptual clarification of the Third Way (economic democracy) through workshops, seminars, dialogue, dis-

cussion, publications and worldwide networking.

The group also discussed CESJ's concept of **Value-Based Management**. Hasan Ali explained that this new management system is designed to provide every worker with the most effective means to become a co-owner of the place where he works. As he pointed out, VBM redefines traditional leadership roles and creates a structured diffusion of power and responsibility within the enterprise and other economic institutions. It builds a corporate culture designed to develop "servant leaders" who seek to empower others and raise their quality of life at the workplace.

Our thanks to Fr. William Christensen for his report on Norm Kurland's trip to Bangladesh, from which this article was excerpted. Our appreciation also to Mr. Hasan Ali who has provided reports on the progress of the Economic Empowerment Board and CESJ Bangladesh. ▲

CESJ Members Honored

Two CESJ members received the 1998 “Soldier of Justice” award at CESJ’s thirteenth anniversary celebration in April. **Dr. Norman A. Bailey** and **Dean Price** were honored by the CESJ Board and previous recipients of the Soldier of Justice Award for their significant contributions to the mission of CESJ and their exceptional work over the years advancing economic and social justice for all.

Norman Bailey, a founding member of CESJ and one of the earliest proponents of Kelsonian economics, is largely responsible for championing expanded capital ownership in U.S. foreign economic policy. While serving as Senior Economist of the National Security Council and Special Assistant to President Reagan for International Economic Affairs, Dr. Bailey requested that CESJ’s Norman Kurland draft two economic strategy papers. “Project Economic Justice” led to the formation of the 1986 Presidential Task Force on Project Economic Justice. The national gameplan, “The Industrial Homestead Act” (later renamed “The Capital Homestead Act”), is today providing the vision behind CESJ’s “Capital Homestead Initiative” for D.C. citizens.

Dean Price, *architect emeritus* and former master planner at Georgetown University, has been working with CESJ for many years to integrate waste-to-energy and other advanced technologies with expanded capital ownership opportunities for workers and citizens. His visionary thinking and designs are a central component of CESJ’s New Birth prison proposal for the Nation’s capital. Dean, exemplifying the spirit of Social Justice, has assembled a team of scientists, engineers, and other leading edge thinkers to work with CESJ in providing the expertise to implement this bold initiative for the 21st Century.

Expanded Ownership Progress

▶ CESJ director **Joe Recinos** visited Egypt in late December on a consulting assignment to evaluate for USAID the success of **employee shareholders associations (ESAs)** in Egypt’s privatization program. ESAs are an expanded ownership innovation designed to substitute for the ESOP trust used in the U.S. (Trusts are not recognized in Egyptian law.) The ESA was developed by a professional team which included CESJ members **Norman Kurland** and **Itil Asmon**, and Egyptian lawyer **Mahmoud Fahmy**.

During his assignment, Joe travelled to the **Alexandria Tire Company (ATC)** to assess its progress with ESOP and the ESA. ATC used the first ESOP in the developing world to complete the financing needed in a joint venture which included Pirelli Tire Company of Italy and a consortium of Egyptian firms. The ATC ESOP project was spearheaded by CESJ member **Bruce Mазzie**, who was then heading up a key economic assistance program at the USAID mission in Egypt.

Joe visited with ATC’s CEO, **Fathy El-Feky**, and was happy to report that ATC is doing well and making money. “**ADALA**” (“Justice”), the group organized to promote ESAs in Egypt, is also thriving and attracting a growing membership.

According to Joe, there are now 10 95% ESA-owned companies. The Egyptian government plans to initiate another 10 next year. More than 270 ESA-owned companies (mainly minority-ESA-owned) are registered with the Capital Market Authority.

▶ CESJ member and international development consultant **Dr. Itil Asmon** has been working to encourage ESOPs in Zimbabwe. Despite the absence of tax incentives (such as in the U.S.), employee ownership is taking root in that African nation, according to Itil. Much of the ongoing work, as part of a US. Agency for International Development contract with Coopers & Lybrand, is to develop facilitating legislation, with fiscal and credit features. Three Zimbabwean companies will be selected for implementing ESOPs.

Member Initiatives

▶ New CESJ member **Norbert Hermes** has taken several important initiatives to spread the Third Way. As a signatory to the “**Universal Declaration on the Sovereignty of the Human Person Under God**” (a document initially drafted by CESJ), he also gained the support and signature of his brother **Bishop Herbert Hermes, O.S.B.**, the Bishop of the prelature of Christalndria in Brazil.

Norbert also sent a letter and number of CESJ materials (including the “**Capital Homestead Act**” and the Universal Declaration) to **Senator Sam Brownback**, with hopes of arranging a meeting to discuss CESJ’s principles and proposals. In his letter to Senator Brownback, Norbert commented, “I am convinced the ‘Third Way’ holds the seeds for proven, practical and effective means to address many of the problems and needs not only in our own country, but worldwide.”

▶ Members of the Catholic order of Marianists (the order of CESJ’s late co-founder, Fr. William Ferree) are doing a tremendous job garnering

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News from the Network

support for CESJ's "Universal Declaration on the Sovereignty of the Human Person Under God." This ecumenical statement—originally drafted by CESJ, edited by numerous scholars and adopted by the Scholars for Social Justice—offers an economic agenda supporting human life and the family.

Brother John Samaha (Cupertino, CA) has been gathering signatures of support from Marianists in his religious community and around the U.S.

CESJ director **Fr. Joe McDonald** (who was designated by the Marianist community in Dayton, Ohio to succeed the late Fr. Ferree on CESJ's board of directors) has been reaching out to his contacts.

Fr. Bill Christensen (*see report on Bangladesh*), has been working his extensive international and ecumenical network to help the effort. Fr. Bill reported to CESJ that the Marianist Superior General and his Council in Rome will be considering organizational sponsorship in an upcoming meeting.

(Anyone interested in helping the signature campaign for the

"Universal Declaration" should contact CESJ for information and a free copy. This document can also be downloaded from our website.)

Rep. Younge Leads Expanded Ownership Initiative for Southern Illinois

State Rep. Wyvetter Younge, the Chair of the Appropriations Committee in the Illinois House of Representatives, represents one of the poorest districts in the state and in the nation. For many years she has explored strategies for encouraging economic growth and economic empowerment for all citizens, particularly those at the bottom of the economic ladder. With the closing of Parks Air College in Cahokia, Illinois, she saw an opportunity to create an industrial park for commercializing advanced technologies developed in the space program, that would be owned by workers and local residents.

At the close of the last session, Rep. Younge reported, the Illinois legislature with broad bipartisan support (including that of Republican Governor Edgar) appropriated funds

for developing an advanced technology park and continuing education center in Cahokia, Illinois, whose design would include a **community investment corporation (CIC)**.

The CIC, an expanded ownership alternative to non-profit community development corporations, would enable residents of St. Claire County to become shareholders in a professionally managed real estate corporation which would acquire and renovate the Parks College site. There are a number of polluted sites in East St. Louis which could be cleaned up using the waste-to-energy technologies developed at the high tech center.

Among some of the innovative educational components of the proposal include a **Buckminster Fuller Institute** that would teach design sciences, a **Center for Economic and Social Justice** which would teach Kelsonian economics and Value-Based Management, and a **Center for Managerial Cybernetics** to train facilitators in "Syntegration," an advanced participatory process developed by management cyberneticist **Stafford Beer**. ▲

Milestones and Weathervanes

► **The National Center for Employee Ownership** (Oakland, CA) reported in its July/August 1998 newsletter on a new study showing that pay and retirement benefits tend to be higher in ESOP companies than in comparable non-ESOP companies.

The study, which matched up 102 ESOP companies with 499 comparison companies, examined extensive 1995 employment and wage data from the Washington State Employment Security Department and other state and

federal sources. It was conducted by Peter Kardas and Jim Keogh of the Washington Department of Community, Trade and Economic Development, and Andria Schiff of the University of Washington.

► For the fifth consecutive year, publicly traded employee-owned companies have continued to outperform the majority of stock market averages, including the Dow Jones Industrial Average, and the Standard & Poor's 500. According to Bethesda, MD-based **American Capital Strategies,**

Ltd. which maintains an **Employee Ownership Index (EOI)**, ESOP companies listed on the NASDAQ exceeded the NASDAQ composite by as much as 61 percent.

The Employee Ownership Index was developed in 1992 based on the research of **Professors Joseph Blasi, Douglas Kruse, and Michael Conte**. It tracks the performance of approximately 350 stocks in companies with 10% or more broad-based employee ownership. The results of the EOI are released quarterly.

► CESJ President **Norman Kurland** published an article in the Winter 1997/1998 issue of *Owners at Work*, the newsletter of the **Ohio Employee Ownership Center** (based at Kent State University). Norm gave his personal account of the historic 1973 meeting between expanded ownership pioneer **Louis Kelso** and **Senator Russell Long** (“**Dinner at the Madison**”), and the years of ground work leading to the watershed event which virtually launched the ESOP’s emergence on Capitol Hill and its growth throughout the U.S.

► *The Journal of Employee Ownership Law and Finance* of the National Center for Employee Ownership (Oakland California) published a 24-page article by Norm Kurland, “**The Federal Reserve Discount Window**,” in the Winter 1998 issue. In making expanded capital ownership a reality for all citizens, this provocative article answers the question, “where will the money come from?” It presents a Kelsonian monetary strategy which unshackles future economic growth from the “slavery of past savings,” spurring higher rates of

► The *New York Times* and *USA Today* noted that even after three years of spectacular gains on Wall Street, 60% of Americans own no stock at all (including stock within company pension plans). The wealthiest 1% of Americans own nearly half of all stock, while the bottom 80% own only 3%. Four out of ten working-aged Americans have three months’ worth of income or less in savings. ▲

non-inflationary growth financed in ways that create new owners of that new wealth.

► CESJ’s Director of Research **Michael Greaney**, who has authored numerous articles on Kelsonian economics in *Social Justice Review*, *Ultimas Noticias*, and other periodicals, published an article in employee-owned **Krause Publications’ Numismatic News** (November 25, 1997).

In addition to surveying basic sources for coin collectors, Mike discussed seminal works critical for anyone interested in understanding the nature of money. The sources cited ranged from Aristotle’s *Politics* (Book I), Plutarch’s *Lives*, St. Thomas Aquinas’ *Summa Theologica*, Adam Smith’s *Wealth of Nations*, Karl Marx’s *Das Kapital*, John Maynard Keynes’ *The General Theory*, and **Louis Kelso and Mortimer Adler’s The Capitalist Manifesto**. Kelso and Adler’s work, the article asserts, “represents a fundamental reorientation on how to look at wealth, money, coin, and currency by focusing on how wealth is created and distributed.”

► “Why do so few have so much and so many have nothing? The answer is ... because the system is designed that way.” Thus begins a series of provocative articles on ESOP and the “Third Way” published by CESJ member **Bruce Mazzie** in several leading Ugandan newspapers. One article appeared in the *Capital Markets Magazine*; his three-part series was published in *Business Visions*.

Discussing the role of credit for determining ownership patterns, Bruce points out: “The economics of employee ownership can be a mechanism for decentralization of property and can help to build a

constituency for political democracy.” Another editorial by Bruce which appeared in a major journal, was based on a speech Bruce gave in September attended by high-level Ugandan officials. Bruce reports that the articles have generated positive feedback.

► Member **Geoffrey Gneus** delivered a paper in a symposium last Fall at Marquette University honoring Catholic Worker founder Dorothy Day which was attended by over 500 people from “as far away as Holland and New Zealand.” Geoff’s article, “Radical Orthodoxy: Dorothy Day’s Challenge to Liberal America,” mentioned the idea of worker ownership as well as the efforts of CESJ.

► Member **Dr. Thomas Rourke**, Professor Political Science at Clarion University of Pennsylvania, delivered a paper on “Worker Ownership and the Universal Destination of Goods,” to the Society of Catholic Social Scientists. His paper presents a careful analysis of Louis Kelso’s economic ideas in light of the social encyclicals.

Kelso’s system, Dr. Rourke suggests, provides a way to “raise up the poor within the context of respect for private property and the legitimacy of markets.” Examining some practical applications of Kelso’s framework, the paper mentions several of CESJ’s proposals for democratizing capital credit, as contained in the Capital Homestead Act. The paper concludes: “the proposals originally put forth by Louis Kelso are both in accord with Catholic social teaching and make genuine economic sense.... [They avoid] the pitfalls of both liberal capitalism—and its variant, the interventionist Keynesian state—and socialism.” ▲

The Ownership Solution: Toward a Shared Capitalism for the 21st Century

by Jeff Gates

Published by Addison-Wesley, 1998. Hardback, 388 pp., \$27.50.

A 1996 study of the United Nations Development Program found that the assets of 358 billionaires now exceed the combined incomes of countries with 45 percent of the world's people. The same study found that 100 countries are economically worse off today than they were 15 years ago. These conditions "are not the fertile ground in which robust democracies take root," warns lawyer and investment banker Jeff Gates in his new book *The Ownership Solution: Toward a Shared Capitalism for the 21st Century*.

Global capitalism—seemingly victorious following socialism's collapse—is creating "two-tiered marketplaces" and "two-tiered societies" of haves and have-nots. This is not merely a temporary, albeit painful, phase in the transition to a market economy, Gates argues. There is a basic systemic flaw in capitalism which leaves most people the victims, and not the masters, of advancing technologies and the global marketplace.

Why isn't capitalism creating more capitalists?, Gates asks. *The Ownership Solution* argues that there is an ownership-concentrating defect engineered within capitalism's methods of financing capital growth. Rather than expanding the base of capital owners, "the bulk of capitalism's financing will continue to flow through a highly exclusionary, ownership-concentrating 'closed system of finance'" (p. 15). In such a system, only a few people will ever be connected as owners to the ongoing processes of growth and technological advance.

To correct our course, *The Ownership Solution* suggests, will require some fundamentally new assumptions, a new theoretical framework, and a re-engineering of the economic system to "humanize and localize free enterprise by using ownership as a means for connecting people to their companies and economies."

Jeff Gates' book is a useful contribution to the literature on expanded capital ownership—an idea which is still barely acknowledged by academia, the media, political leaders, and the public. *The Ownership Solution* offers expanded ownership advocates and researchers a valuable collection of statistics, historical sources and quotes, and delivers a broad overview of expanded ownership developments in the U.S. and internationally. Most significantly, this book should stimulate a wider discussion of a new paradigm of ownership economics which CESJ calls the "Third Way."

A leader in the employee ownership community, Jeff Gates served as counsel to the U.S. Senate Committee on Finance during the 1980s, and was instrumental in federal legislation promoting Employee Stock Ownership Plans (ESOPs). He also edited the report of the 1986 Presidential Task Force on Project Economic Justice, an initiative fathered by CESJ. His book has attracted an impressive array of testimonials from legislators, corporate leaders, Nobel laureates, management experts, environmentalists, and activists, including such recognized figures as Coretta Scott King, World Bank President James Wolfensohn, and Mikhail Gorbachev.

In calling for a "re-engineering" of the present economic system, Jeff

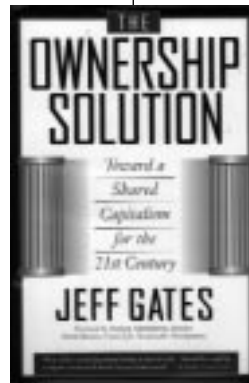
Gates reaffirms the revolutionary vision which the late lawyer-economist Louis Kelso first articulated in the 1950s. Kelso's "third alternative" to traditional capitalism and socialism (so named in 1969 by some Soviet officials studying the U.S. and Canada) was brilliantly presented in Kelso's book co-authored with philosopher Mortimer Adler (*The Capitalist Manifesto*), and that with Patricia Hetter Kelso (*Two Factor Theory: The Economics of Reality*).

One Kelsonian method for expanding capital ownership, the ESOP, is widely recognized as a tax-advantaged employee benefit and method of corporate finance. Few people, however, are aware that the ESOP represents merely one application of a comprehensive free market theory of "binary economics" developed by Kelso.

The Kelsonian model, based on specifically defined, market-oriented principles of economic justice and a refinement of Say's Law of Markets, constitutes a quantum advance over the Keynesian Welfare State model. Kelso offers a systems approach for automatically bringing aggregate supply and demand into balance. He shows how we could create sustainable, non-inflationary private sector growth and *widespread* purchasing power by universalizing access to capital credit and ownership.

In laying the case for what he calls "shared capitalism," Gates presents many elements of the Kelsonian paradigm and stresses the importance of universal values such as justice, liberation, participation, dignity, empowerment, and spirituality. However, while it recognizes the need for one, *The Ownership Solution* does not lay out or advocate any unified theory, either

Continued on page 11



Kelso's or its own. Gates' book does not proceed from an organized body of principles which could guide the reader in designing an ownership system or judging whether specific ownership policies are consistent with or contradict other market principles.

Kelso's theory, for example, contains specific design principles which CESJ calls the "Four Pillars of a Just Economy": (1) restoration of the rights of private property, (2) the free market as the most democratic means for determining economic value, (3) the limited economic role of the State, and (4) expanded capital ownership as a fundamental human right. While *The Ownership Solution* is solid on the fourth pillar—the "moral omission" of traditional capitalism—it contradicts other pillars with its support of global securities transaction taxes (as a means of funding the United Nations), wealth taxes, and tax credits to encourage broadened ownership.

The Ownership Solution presents a broad array of expanded ownership solutions, Kelsonian (using "future savings") and non-Kelsonian (using "past savings"). Among these are many of the "self-financing" and leveraging concepts developed by Louis Kelso to make productive credit accessible to those with insufficient savings to acquire income-producing assets. Chapter 9 ("Making Money") examines Kelsonian monetary reforms for transforming the present system to an expanded ownership economy.

The book also mentions several Kelsonian innovations first proposed by Norman Kurland, who served as Kelso's former Washington Counsel and associate for eleven years. Although he does not specifically attribute these to Kurland or CESJ, Gates refers to the Community Investment Corporation (CIC) and the two-tiered Federal Reserve discount rate concept.

While *The Ownership Solution* emphasizes the need to transform today's "closed system of finance," it never compares the efficacy and theoretical consistency of ESOPs (particularly participatory, value-based ESOPs) versus stock options, 401(k) plans, and other non-Kelsonian "past savings" methods for connecting asset-less people to the engine of corporate finance. Thus, in lumping together the various and sometimes divergent examples of participatory ownership emerging around the world, the book reflects one of the drawbacks of the "all-inclusive" approach. It avoids judging the relative effectiveness and logical integrity of these different approaches.

This leads to some contradictions in the book between ends and means, especially with regard to private property rights. Gates asserts that "private ownership is uniquely well suited to provide today's missing 'connectivity'....[A]t their core, property rights operate as a signaling system, connecting people to their economy in a way that enables them to register their personal concerns so that free enterprise performs in a genuinely people-responsive fashion" (p. 11). However, he also appears to support proposals which would over time shrink property rights of investors and transfer such rights by law, not by purchase, to other stakeholders. Jeff Gates argues that because such special cases as patents, leases, and mortgages are examples of limitations on ownership over time, the owners of corporate equity should also be subject to the same time limitations on their property rights.

The absence of a clear theoretical structure is also apparent in the book's approach to tax policy. For example, the reader is not given any specific moral or economic principles to support the assertion that a progressive tax (one of Karl Marx's ten attacks against private property) is inherently

more just than a flat or proportionate tax on all sources of income beyond the poverty level. And the book's emphasis on tax credits and subsidies in its menu of solutions is sure to draw the ire of fiscal conservatives.

Jeff Gates observes that "policymakers are searching for a 'design science' capable of organizing economic activity in a way that both promotes human well-being and reflects sound ecological, ethical and fiscal principles" (p. 11). In the view of Kelso's proponents, a comprehensive design science was conceived by Louis Kelso.

For the past 40 years, the guardians of the *status quo*—academia, Wall Street, and the mainstream media—have avoided any serious debate over the importance of widespread capital ownership in building a just market economy. In selling its revolutionary message, *The Ownership Solution* avoids one key question that would open up the debate: Does Kelso's binary economic model constitute a unified theory for an "ownership solution?" ▲

Reviewed by Dawn K. Brohawn

BOOK ALERT!

As part of CESJ's mission to preserve and disseminate the basic writings of the Third Way, and to respond to growing requests from around the world, CESJ is buying up copies of the out-of-print 1958 classic, *The Capitalist Manifesto*, by Louis O. Kelso and Mortimer J. Adler.

We have an extremely limited supply of used copies available to members for US \$28.00, post-paid and to non-members for US \$33.00, post-paid. Please let us know if you locate any copies selling for under \$20.00. Donated copies would be greatly appreciated by CESJ.

Available from CESJ

Copies of the articles mentioned in this newsletter are available for the cost of copying and mailing. Contact CESJ for information.

- ▶ ***Curing World Poverty: The New Role of Property:*** \$15.00, CESJ members; \$18.00, non-members.
- ▶ ***Introduction to Social Justice*** by Rev. William J. Ferree, S.M. (1997 edition containing CESJ foreword). \$6.50 members; \$8.00 non-members.
- ▶ ***Journey to an Ownership Culture: Insights from the ESOP community,*** edited by Dawn K. Brohawn (Scarecrow Press, 1997). Hardback. \$32.50 members; \$37.50 non-members.

Closing Thoughts

“In order to effect the ownership solution, we have to acknowledge the modern reality that property is now more often accessed through corporate finance than through personal toil.”

Jeff Gates

The Ownership Solution

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