

# the Economic Justice Monitor

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## International Conference in Seoul Explores "Third Way"

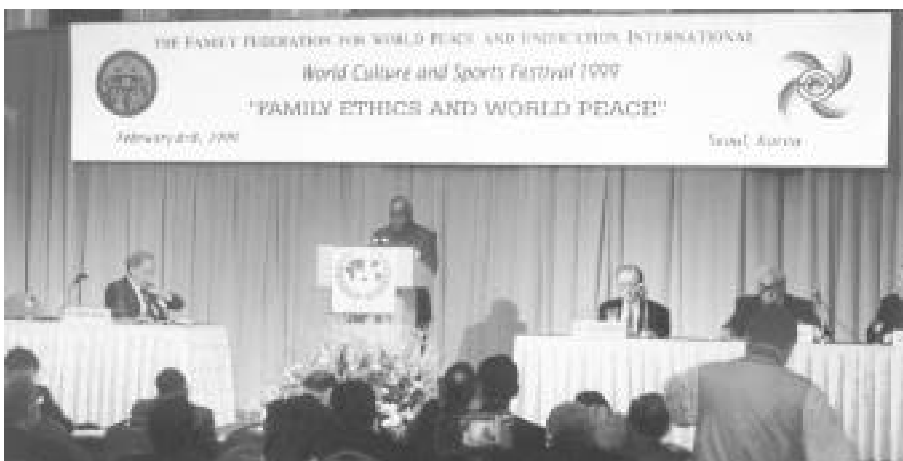
**H**ow can every family be economically empowered in the 21st Century? This was the central question at an international conference held in Seoul, Korea, February 4-8, 1999. A special 2-day panel organized by CESJ friend **Antonio Betancourt**, Deputy Secretary-General of the Federation for World Peace, brought together 180 world leaders to explore some new answers. Former presidents and prime ministers, legislators, scholars, and scientists heard a critique of today's two dominant economic paradigms—capitalism and socialism—as well as a bold "Third Way" counterproposal.

Speaking on the panel were two of the world's foremost experts in "binary economics" and the Kelso-Adler theory of economic justice: Syracuse University law professor **Robert Ashford** (a contributing author in CESJ's compendium, *Curing World Poverty* and a co-author of *Binary Economics: The New Paradigm*) and CESJ President and lawyer-economist **Norman Kurland**. Among the religious leaders participating in the conference was CESJ member **Rabbi Herzel Kranz**. CESJ board members **Rowland and Dawn Brohawn** were also part of the CESJ contingent, with Dawn serving as panel rapporteur.

## Critiquing Socialism and Capitalism

Session A of the panel, moderated by **the Rt. Hon. Edward Schreyer**, former Governor-General and Commander-in-Chief of Canada, examined the impact of socialism and capitalism on the family. Panelists included: **Dr. Yuri Ossipyan**, the head of Russia's nuclear disarmament program; **the Hon. Kenneth Kaunda**, the former president of Zambia and a leader of the African liberation movement; and **the**

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*Kenneth Kaunda addresses international audience at Third Way panel in Seoul. Other speakers (seated left to right): Edward Schreyer, Yuri Ossipyan, Rodrigo Escobar Navia, and Antonio*

## Third Way Panel at National Press Club

**M**embers of the media attended a panel presentation, "**The Third Way: Is it for Real?**", held last September at the National Press Club in Washington, D.C. Co-sponsored by the World Institute for Development (WIDP) and the Center for Economic and Social Justice (CESJ), the panelists critiqued the so-called "Third Way" being promoted by U.S. President Bill Clinton and U.K. Prime Minister Tony Blair. They then examined CESJ's "Third Way" (based on Kelsonian expanded ownership economics) as an alternative model for analyzing and solving major economic and social problems arising out of economic globalization.

Panelists included: **Dr. Norman A. Bailey**, former Special Assistant to President Reagan for International Economic Affairs; **Norman G. Kurland**, lawyer-economist and President of CESJ; **Dr. Marcus Raskin**, co-founder of the Institute for Policy Studies and professor of public policy at George Washington University; and **Dr. John Schmitt**, labor economist with the Economic Policy Institute. WIDP's President **Antonio Betancourt** served as panel moderator.

Before introducing the panelists, moderator Antonio Betancourt observed that the economic models of capitalism and socialism have dominated the world—glorifying and stimulating "the lower and darker part of human nature....[g]reed and usury

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**Hon. Rodrigo Escobar Navia**, former Prime Minister of Colombia.

The panelists in Session A described in stark terms the disintegration of the traditional family structure under socialism and capitalism, in three very different areas of the world—Russia, Zambia and Colombia. In the push to a global market economy, life expectancy is dropping and infant mortality is rising as countries follow the wisdom of Wall Street and Western “shock therapists.”

Exploring the role of the family in the 21st century, Session A laid the groundwork for the next day’s session on the Third Way. Former Prime Minister Escobar noted: “While socialism’s goal was equality, it sacrificed freedom. Capitalism, in seeking freedom, sacrificed justice.... As we approach the 21st century, we cannot be satisfied that

the world’s affluence is enjoyed by only 20% of its people.”

Members of the audience engaged the speakers in a serious exchange on the devastating impact of poverty on human communities and the family. One key observation in this session was that there are high concentrations of wealth and power throughout all societies today. The capitalist model, it was acknowledged, has produced the highest standard of living for the greatest number of people that the world has ever seen. However, panelists and audience members also agreed that capitalism has failed to alleviate inequitable ownership patterns and widespread poverty in both developed and developing economies, as well as in economies that are moving from socialism to a market system. In terms of consumption and use of the earth’s resources, the vast disproportion between developed and developing coun-

tries (which hold 80% of the world’s population) starkly evidences this systemic flaw.

Session A closed with remarks by Antonio Betancourt. “If we are to help uplift and empower the family,” he reminded the audience, “we must consider the impact of the money and credit policies of the Federal Reserve, IMF, World Bank, and the central banks of Europe and Japan.”

### Exploring a New Way

Moderated by Antonio Betancourt, Session B focused on “The Third Way: A New Economic Paradigm for Empowering the Family.” As detailed by Prof. Robert Ashford and CESJ’s Norman Kurland, this alternative model of development is largely based on the “binary economics” proposed by the late lawyer-economist **Louis Kelso** (popularly known as the father of the employee stock ownership plan or “ESOP”) and his theory of eco-

## 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.

economic justice developed with philosopher **Mortimer Adler**. Antonio noted that in the last 25 years, Kelso's ideas have positively transformed or touched the lives of more than 10 million workers in the U.S.A. Thanks to the ideas of Louis Kelso, as well as the work of fellow pioneers such as Kurland, Ashford and others, Antonio said, workers in the U.S. and other countries now have the legal and financial tools to become owners of the corporations in which they work, and therefore of the wealth that they are creating.

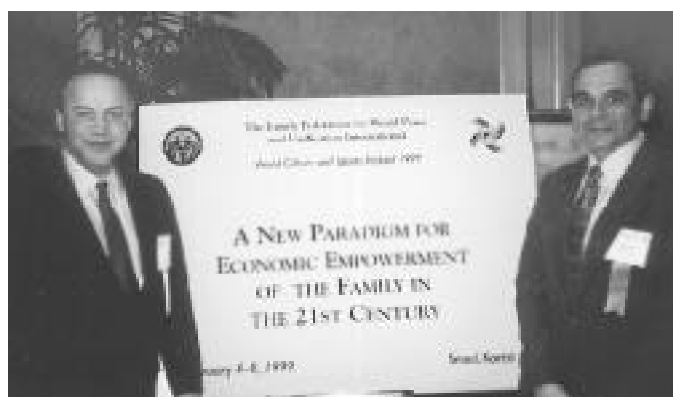
### The Real Third Way

Contrasting the Kelsonian "Third Way" with the confused and superficial approaches proposed by U.S. President Bill Clinton and the U.K.'s Prime Minister Tony Blair, the panelists presented the ownership model as a more just, efficient, and workable alternative to the present wage-welfare models of socialism and capitalism. They outlined the key principles of an economic system based on 1) expanded capital ownership, 2) free and open markets, 3) the restoration of the full rights of private property, and 4) limited economic power of the State.

The speakers also described practical and proven expanded ownership mechanisms for financing new wealth creation and linking people as both owners and workers to the global market place and advancing technology. A key to empowering the family in the 21st century, Ashford and Kurland emphasized, is the use of productive, self-liquidating credit to transform non-owners into owners without taking away the property of present owners. Norm Kurland presented a comprehensive economic transformation program—the **Capital Homestead Act**—that could be implemented by any country to economically

empower every person and family through individual ownership of the means of production.

Session B provoked a lively exchange between the audience and panelists. As Egypt's former **Prime Minister Aziz Sidky**, pointed out, "This is a big idea. We are hearing many new things. Clearly more time needs to be devoted to this subject." The panelists agreed heartily, observing that while there has been widespread support for Louis Kelso's expanded ownership policies and prac-



(l to r) Panelists Norman Kurland and Robert Ashford after presentations on binary economics and the Third Way at conference in Seoul, Korea.

tical applications, academia has avoided debate on the soundness of Louis Kelso's binary economics and theory of economic justice. The lack of understanding of Kelso's conceptual framework, the panelists contended, has led to piecemeal application of some of his technologies and has left in place serious systemic defects.

Among the key concerns raised by the audience was whether Kelso's Third Way could be applied in the developing world, given the often high levels of corruption and lack of sound institutional infrastructure and "rule of law." Norm Kurland (who had implemented the first ESOP in the developing world at the Alexandria Tire Company of Egypt) mentioned that he is now advising leaders in Bangladesh, Uganda and other developing countries on strategies for transforming their economies to the Kelsonian Third Way model.

"The real enemy of progress and development," Norm observed, "is bad ideas." The concepts, technologies, and sources of financing for implementing the Third Way exist in developing countries, Norm pointed out. He added that developing countries have certain competitive advantages over the developed economies. What is needed are authentic leaders within developing countries—people with power and a long-term vision for their society, leaders who are seeking to empower all their citizens, not just themselves. One

such "authentic leader," Norm Kurland noted, was **Senator Russell Long** in the U.S. (who was the person most responsible for putting the ESOP into U.S. law).

It is also crucial, both panelists noted, that countries develop their own economic blueprint for moving toward the Third Way, one which is based on the right moral principles and a sound theoretical foundation.

The audience's response to the provocative "Third Way" ideas was best summed up by former Canadian Governor-General Edward Schreyer in the final plenary session of the Seoul conference. Singling out the panel on "binary economics," he noted that these new ideas may offer a way of addressing the world's pressing issues of stewardship of natural resources and the management of capital and financial resources. These ideas of economic empowerment, he concluded, call out for our serious attention. ▲

*For full copies of the 20-page panel report, visit CESJ's website at [www.cesj.org](http://www.cesj.org), or for printed copies of the report, send \$3.50 payment to CESJ to cover copying and postage, \$5.00 for requests outside U.S. ▲*

on the right, and jealousy and envy on the left.” We need to seek a new model, he said, a true Third Way which responds to the higher aspects of human nature.

“A third way,” Betancourt commented, “has to be based on the stimulation of this noble aspect of human nature: Justice in economic activity. A true Third Way has to be able to bring a critique and a counter-proposal to both economic systems, without leaving winners and losers. It has to address the problem of the majority of the population who have no wealth or savings or who at best participate in the economic activity through a wage system.”

### Kelso's Third Way

Norm Kurland led off the presentations with an examination of how, within the paradigm articulated by binary economist Louis Kelso, free market principles can be tied to economic justice and economic empowerment. Asserting that there is a “third way” beyond traditional capitalism and socialism (which both concentrate ownership and economic power), Kurland explained how Kelso's Third Way reconnects people through ownership “to the economic process, just as the ballot connects people to the political process.”

Touching briefly on Kelsonian financing vehicles and the Capital Homestead proposal for moving to an expanded ownership system, Kurland concluded with a specific proposal to “revitalize the discount powers of the Fed” along the lines of Section 13 of the Federal Reserve Act of 1913. Mon-

etizing private sector growth by creating new money used exclusively for enabling qualified financial institutions to make loans to expanded ownership vehicles, would “make the money system work for all workers, not just today's wealthy elite.”

### The Monetary Pillar

Norman Bailey then examined how money and credit are created under the present capitalist system, resulting in concentrated economic power, unstable economies and global currency crises. The failure of international banking systems to distinguish between productive forms of credit (where the loan is designed to repay itself) and consumption



Dr. Norman Bailey discusses the monetary component of the Third Way at the National Press Club in Washington, D.C. (photograph by Paulo Galli)

forms of credit (which depend on outside streams of income to repay the loan) is leading to growing economic instability and economic serfdom world-wide.

“[W]hat we need is a Third Way monetarily as well as from the standpoint of ownership,” Bailey stated. Commenting on U.S. monetary policy today, Dr. Bailey noted that “the backing of the U.S. dollar is the Federal debt. Which brings us to the *re-*

*ductio ad absurdum* that if the Federal debt were ever paid off, we would have no money supply.” Specifying the key policy requirements behind CESJ's proposed monetary reforms, Bailey described a “two-tiered” credit system that offers “maximum incentive to productive uses involving the spread of capital ownership, as opposed to the present system that rewards anti-economic activities and penalizes the productive economy.”

### Reactions and Challenges

Commenting on CESJ's “Third Way,” Dr. Marcus Raskin first congratulated the panel hosts for looking at the fundamental problems of the international economy and where we should go in the twenty-first century.

He expressed his hope that the panel would “be the basis of continued discussion and dialogue on the question of what is economic justice and what is an economy for....” Dr. Raskin raised a series of provocative questions: Should technology (and restraints over technology) be part of moral philosophy? What is political power and who will share in that power? Should “profit” or “surplus” created by the proposed system be “repatriated”

through a taxing system? What is the nature of production and productivity? What will be the mechanisms of accountability in the proposed reforms? Raskin challenged the use of the term “the Third Way” but agreed that we need “a different structure” in our international financial institutions, one which “has as its purpose...bringing up the poorest people in this world.”

Dr. John Schmitt, who has researched and written on issues of growth and income equality for the Economic Policy Institute, congratulated Norm Kurland and Norman Bailey for their contributions to the debate on “the Third Way.” What distinguishes the CESJ version from the “Third Ways” advocated by Clinton, Blair and others, Schmitt commented, is the “specificity of the program” described by Kurland and Bailey. He also praised CESJ’s emphasis on “greatly expanding ownership of capital and access to credit for business formation as a fundamental tenet of the Third Way.”

Citing his own research into wealth inequality, Dr. Schmitt pointed out that while the average American family owns about \$90,000 in real estate (typically their homes) and about \$8,000 in stock, stock ownership remains extremely concentrated. According to figures from a 1995 Federal Reserve study, *sixty percent of Americans own no stock in any form*, whether directly or through 401(k) plans, mutual funds or pension plans. “This is certainly not the image of a shareholder democracy where people can retire and live off the 7%-10% returns on their stock,” Schmitt pointed out. He concluded that most discussions in the U.S. on the Third Way have suff\»ed from vagueness and too narrow a focus on the labor market. However, he commented, “there is something very radical about the proposals we have seen [today].” He urged further discussion on the fundamental issues CESJ raised. ▲

*(The transcript of the Third Way panel can be accessed on CESJ’s website [www.cesj.org]. Printed copies may also be obtained from CESJ, \$3.50 for members, \$5.00 for non-members; orders from outside the U.S., please add \$1.50.)*

## New Inroads in Bangladesh

A solid “Third Way” leadership group is establishing itself in Bangladesh, reports Norm Kurland who returned to Bangladesh in early March for a three-week consulting trip.

Thanks to the months of planning and preparation by **Fr. Bill Christensen** of the Institute for Integrated Rural Development (IIRD), IIRD Executive Director **Hasan Ali**, Director of Communications **Rafiqul Alam** and other IIRD staff, and members of CESJ Bangladesh and the Economic Empowerment Board, Norm’s schedule was packed. Joining Norm in his meetings with government officials, labor and business leaders, scholars and the media, were **Mr. Mukhlesur Rahman**, head of Bangladesh’s non-partisan labor federation; and **Mr. Muhammad Ali**, economic development consultant and editor of *The Bangladesh Business Review*.

Norm’s main objectives on the trip were: 1) to meet with **Her Excellency Prime Minister Shiekh Hasina**, 2) to consult on Third Way alternative strategies for some specific privatizations now underway, and 3) to meet with the members of CESJ Bangladesh and the Bangladesh Economic Empowerment Board.

### Gaining Prime Mover Support for a Third Way Strategy

Over a year ago, Prime Minister Hasina had promised to “turn over to the workers” nine state-owned textile mills, some of which had been shut down. To date, nothing has been done and the Prime Minister’s proposal faces some opposition, including from the unions.

One of the key objectives of Norm’s trip was to explore the possibility of an ESOP buyout alternative to the “give-away” approach. Accompanied by the Member of Parliament for the area and a troupe of 15 labor leaders, Norm and Mukhlesur Rahman visited three large shut-down textile mills that are part of the Prime Minister’s plan. After some discussion, Norm felt that the three mills could be modernized into world-class textile factories capable of competing in the international market. The key, Norm suggested, is convincing the Prime Minister to support the Third Way strategy and to open up the discount window of the Bank of Bangladesh.

Norm and Mukhles had a 5-hour meeting with the top labor leaders involved in the textile and garment industry. They discussed a Third Way strategy for reviving the Bangladesh textile industry and ways of gaining the Prime Minister’s support. Later, Norm, Mukhles and Muhammad Ali met with the **State Minister for Privatization Kazi Zafarullah** and the **Additional Secretary S.M. Zakaria**. They were both supportive of workers getting ownership in the nine textile mills. Mukhles asked Mr. Zafarullah to arrange a meeting for the CESJ group with the Prime Minister. Mr. Zafarullah agreed, requesting that the group first prepare a strategy memo and meet with other key ministers.

Prior to his departure, Norm prepared a memo for the Prime Minister, giving specific recommendations for the workers to acquire nine closed-down textile mills. Under the CESJ scenario, (1) the government would “take back” loan paper under a no-interest, risk-sharing, profit sharing payout from future earnings, (2) the mills would be sold at an appraised fair market value of their useful assets, and (3) the central bank would rediscount a commercial

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## New Inroads in Bangladesh Continued from page 5

bank loan to the Worker Shareholders Association for working capital and badly needed modernization.

While Norm and CESJ Bangladesh did not get to meet with the Prime Minister on this trip, they laid the groundwork for a future meeting. The CESJ proposal, Norm reported, has the support of labor leaders (thanks to labor statesman Mukhlesur Rahman), as well as of the Minister of Privatization (who owns several successful mills in the private sector) and **State Minister for Planning Dr. Mohiuddin Khan Alamgir**.

## Presentations and Media coverage

- Norm's meetings and presentations in Bangladesh received wide press and local and national TV coverage. His presentation at the Islamic Development Bank, before 30 labor leaders, intellectuals, and the head of the industrialists' association, was covered by local TV stations. The broadcast featured positive comments by **Dr. S.A. Malek**, a family member and close political advisor to Prime Minister Hasina. On the final day of his trip, Norm and **Mr. Kazi Zafarullah** (State Minister and Chairman of the Privatization Board) had a 25-minute moderated discussion on "Privatization Through Ownership To Workers," which was broadcast live on national TV.
- Norm also spoke at the National Press Club and later conducted a seminar recorded for national TV broadcast. At the seminar, entitled "The Third Way for Bangladesh: A Strategy for Returning Economic

Power to the People," both the labor leaders and head of the business federation reacted positively to Norm's presentation. Most significantly, Dr. Alamgir stated publicly on national television that he supported CESJ's central bank rediscounting proposal for plant modernization.

- Norm had very positive meetings with **Mahfuz Anam**, the editor of the *Daily Star*, Bangladesh's largest



Several Third Way speakers, seminar participants and IIRD staff in front of the Hotel Abakash.

newspaper; and **Enayetullah Khan**, editor of *The Holiday* (a weekly magazine for intellectuals, with a strong leftist slant), who liked the CESJ message. Norm also met with **Moazzem Hossain**, editor of *The Financial Express*, the *Wall Street Journal* of Bangladesh. After that meeting, Norm felt CESJ had found a new ally.

## Meetings with Bankers and Economic Development Officials

- Norm, Mukhles Rahman and Muhammad Ali presented CESJ's 10-point plan for building a "new economy" to **Ron Hicks**, the coun-

try representative for the International Monetary Fund (IMF). Mr. Hicks said he liked the idea and thought, assuming it was acceptable to the Prime Minister, that it would meet the IMF conditionality guidelines for restructuring Bangladesh's foreign debt. Norm later had a very positive meeting with **Dr. Khandaker Khaled Ibrahim**, Deputy Governor of the central bank and past President of the Bangladesh Economic Association.

- Norm received encouraging responses to the Third Way concepts from **Phit Suphaphiphat**, Country Representative for the Asian Development Bank, and **Dr. Narhari Rao**, his senior economist. Norm, Mukhles and Muhammad Ali later met with **David Sprague**, Team Leader at the U.S. Agency for International Development (USAID), and three other USAID officials.

## Meetings with Economists and Scholars

- At a club for the Dhaka elite, Norm had lunch with **Professor Rehman Sobhan**, one of Bangladesh's most respected economists and former head of the Bangladesh Institute for Development Studies (BIDS) where Norm lectured in 1998. Prof. Sobhan now heads the Center for Policy Dialogue. Prof. Sobhan asked Norm many questions and clearly understood that the democratization of capital credit was central to CESJ's development model. At Prof. Sobhan's invitation, Norm gave a two-hour presentation at the Center for Policy Dialogue and had a good exchange with the audience

# INTERNATIONAL DEVELOPMENTS

of about 15 people who included labor leaders, scholars, and two representatives from the Grameen Bank.

- Norm reported that he had a “great” hour-long meeting with **Dr. Mohammad Yunus**, founder of the world-famous Grameen Bank (known for its microlending approach to help the poor become economically self-sufficient).
- Norm and Muhammad Ali met with **Dr. Atiur Rahman** of BIDS, a renowned economist who is an expert on the Grameen Bank. Dr. Rahman, whose books are used in courses at Harvard University, had traveled to Arkansas and sold then-Governor Bill Clinton on the Grameen concepts. He also helped start a Grameen bank in Tanzania. According to Muhammad Ali, the discussion went well, and Dr. Rahman “supports the [Third Way] concepts.”
- On the final day of Norm’s visit, he and Muhammad Ali had a 3-hour meeting with **Economics Professor Wahiduddin Mahmud** of Dhaka University, a highly respected economist who was the Finance Minister during the last caretaker government between elections. Prof. Mahmud has been the director of Bangladesh’s central bank for the last 10 years, and is chairman of the banking reforms committee. Professor Mahmud was very enthusiastic and promised to send Norm his critique of *Curing World Poverty* and Norm’s paper on the Federal Reserve discount window proposal.

## Other Key Contacts

- On his flight from London to Dhaka, Norm met **Mansoor Hasan**, a young lawyer who is Executive Director of Transparency International Bangladesh, part of a global organization which monitors



(l to r) Speakers Norman Kurland, Dr. Mohiuddin Khan Alamgir, Mohammad Ali, and Fr. Bill Christensen discuss a Third Way strategy for Bangladesh.

- corruption issues. Mansoor invited Norm to a dinner sponsored by his organization attended by business, academic and political leaders.
- Norm had a delightful dinner with **Fr. Richard Timm**, a world-renowned biologist and old friend of CESJ board member Fr. John Miller). Joining them was Fr. Timm’s colleague **Rosaline Costa**, the Human Rights Coordinator for Hotline Bangladesh (Asia). Fr. Timm later signed CESJ’s “Universal Declaration on the Sovereignty of the Human Person Under God.”
- Two lawyers who serve on the Economic Empowerment Board are now becoming involved with CESJ Bangladesh. Barrister **Shafiq Ahmed**, a top-ranking corporate lawyer, is the newly elected President of the Bangladesh Supreme Court Bar Association. Shafiq has agreed to serve as co-chairman of CESJ Bangladesh. **Abdur Razaque Khan**, a top labor lawyer, is the President-elect of the Dhaka Bar Association. Both teach law at Dhaka University and want Norm to

speak to students and faculty on his next visit to Bangladesh.

## CESJ Core Group Takes Root

The Economic Empowerment Board (EEB) and CESJ Bangladesh, which were launched as a result of Norm’s earlier visit to Bangladesh, are progressing well. The purpose of the EEB is to offer a “blue-ribbon” counterpart to the government’s Privatization Board, made up of leaders from business, labor and government who are promoting a Third Way alternative to traditional privatizations. CESJ Bangladesh is being established as a Third Way “think tank” and educational group. Both groups are attracting high-level leaders and scholars into their membership. Like the parent organization, CESJ Bangladesh’s meetings typically begin with a participatory reading of the CESJ core values and code of ethics, a discussion of CESJ’s writings and ideas, and a strategy session.

Summing up his trip, Norm commented, “Bangladesh is ripe for the Third Way.... I can’t conceive of a better place for us to show what we’re all about.” ▲

## Barbados Conference Explores Third Way

In September CESJ's Norman Bailey and Norm Kurland spoke at a conference sponsored by the Caribbean Development Bank (CDB) and the Caribbean Congress of Labor (CCL). The event explored regional expanded ownership strategies for developing the Caribbean region. Labor leaders from all the English-speaking Caribbean countries attended, as well as various ministers of labor.

The CESJ presentations focused on "Third Way" monetary policies and central banking reforms for stimulating broadly owned, non-inflationary growth. Other aspects of particular

interest to the participants included CESJ's Value-Based Management concepts (that includes a Kelsonian "new labor deal") as well as CESJ's proposed Capital Credit Re-Insurance Corporation (CCRC). The CCRC would provide a substitute for collateral which lenders traditionally require borrowers to put at risk in order to protect the lender in the event of a loan default. The head of the labor council requested that CESJ prepare a proposal to establish a Caribbean Credit Re-insurance facility.

Once a CCRC is funded, Norm Kurland commented, "we will have created a way to overcome the

collateralization barrier for workers and the poor. They will be able to borrow from financial institutions to establish Value-Based Management companies throughout the Caribbean, or to take over state-owned companies, or to buy into multinationals wishing to do business in the Caribbean." CESJ's spokesmen also held a particularly encouraging meeting with the governor of the Central Bank of Barbados, who felt that the Prime Minister of Barbados would be ripe for CESJ's ideas. ▲

## Tanzania Harbours Authority Hears Third Way Option

In Arusha, Tanzania, near snow-capped Mt. Kilimanjaro, CESJ President Norm Kurland presented a Third Way economic democratization strategy to 45 government officials and privatization consultants in a 2-day workshop, November 23-24, 1998. Norm was invited to Tanzania by **Jane Kitilya**, Director of Planning for the Tanzania Harbours Authority. Ms. Kitilya had previously attended Norm's lecture on ESOP privatizations at the International Law Institute in Washington, D.C. The purpose of the workshop, chaired by **Salum Msoma**, Permanent Secretary of the Ministry of Communication, was to discuss and accelerate proposals to facilitate the privatization of the Tanzanian economy.

In 1972 the Tanzanian government formed the Parastatal Reform Commission to improve the efficiency of state-owned companies ("parastatals") which had become noncompetitive under years of socialist policies. Another objective of the Commission was to in-

crease participation by the population in the ownership and management of businesses. Approximately 200 of 350 of Tanzania's parastatals have been privatized.

Today, the Tanzanian Harbours Authority is the country's most significant privatization initiative. European and Canadian privatization experts hired by the Commission had recommended that the modernized container port at Dar es Salaam be sold separately from the other, money-losing facilities, knowing that a foreign investor was willing to buy the profitable container port, considered the "crown jewel" for privatization. Under this strategy, however, there is no overall development plan for roads, railroads and other basic infrastructure. Moreover, there would be no provision for an employee or other expanded ownership plan. The current plan also calls for continued government control over operations, with continuing subsidies.

At the workshop CESJ's Norm Kurland eventually won the support of a majority of the participants for an al-

ternative strategy using a "Tanzanian Harbour Investment Corporation." This vehicle would enable the employees, customers and other citizens to buy out the entire operation on credit, modernize all the facilities, and turn the operation into profitable, professionally managed enterprise. Among Norm's positions which were finally adopted as official recommendations of the workshop:

- "the government should put in place a clear implementation policy that will enable effective local participation, starting with employees of the companies being privatized."
- "there is a need for the workers to participate in ownership of the parastatal to be privatized."
- "the ESOP (Employee Stock Ownership Plan) is practical and has proved successful in the USA and Egypt. It, and similar ownership-expanding vehicles (e.g., which would include the workers of the shipping companies) should therefore be adopted in the THA privatisation." ▲

## Binary Economics: The New Paradigm by Robert Ashford and Rodney Shakespeare

(University Press of America, Lanham, Maryland, 1999)

Reviewed by Norman G. Kurland, President, Center for Economic and Social Justice

In 1965, when I first heard of the late Louis Kelso's revolutionary solution to the problem of world poverty, I thought, "Of course! Why didn't I think of that?"

Upon reading *Binary Economics: The New Paradigm* by law professor Robert Ashford and the British writer-scholar Rodney Shakespeare—thirty-four years after committing my life to implementing the Kelsonian paradigm—another thought came to me: "Why didn't I write that?"

If anyone deserves a Nobel Prize for Economics, Ashford and Shakespeare do for their original, scholarly and persuasive case in support of Kelso's binary theory of economics. Many other writers on "worker ownership," "broad-based capital ownership," and "participatory economics" have trivialized and marginalized Louis Kelso as "the inventor of the ESOP" and as merely another advocate of "the ownership solution" to the flaws of global capitalism. (One notable exception is William Greider, who gives an undistorted description of Kelso's paradigm in his 1997 best-seller *One World, Ready or Not: The Manic Logic of Global Capitalism*.)

Ashford and Shakespeare are to be congratulated for recognizing Kelso as a major contributor to economic theory and the architect of a unified and comprehensive system of economics. Kelso's system combines the elegance of classical market theory with classical moral philosophy and the highest spiritual values. They point out precisely where Adam Smith, Karl Marx, and John Maynard Keynes fell short theoretically by not recognizing the in-

creasing productiveness of capital as the main source of economic growth and the most logical source of widespread income distribution. This conceptual omission by Smith, Marx and Keynes is embedded in all conventional schools of economic thought, from left to right. Consequently, economic theorists have been led down the path where few of them can ever make accurate predictions about the future or offer sound, long-range solutions to meet the dangers of economic globalization.

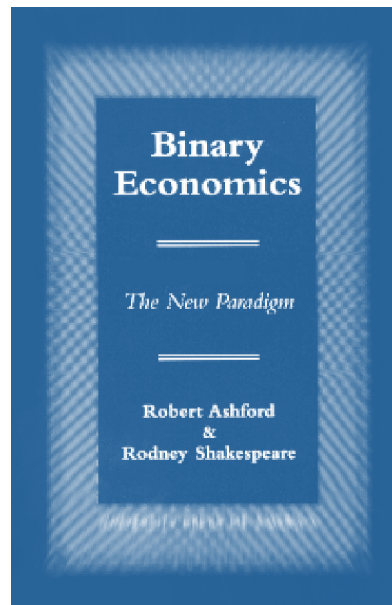
Binary economics states that in a genuinely free market economy, people should be able to contribute to and gain their incomes from the economic process, based on *both* their labor and their capital inputs. Most neo-classical and Keynesian economists would dismiss this postulate as absurd, asserting that this condition exists already under capitalism. Louis Kelso and the authors of *Binary Economics*, however, show that because of institutional barriers to broad-based ownership, most people can only expect to legitimate their incomes from their labor alone. Consequently the market system breaks down, as government is forced to interfere with the market mechanism and redistribute incomes to non-owning working people and the unemployed.

The authors assiduously trace how unsound theory has led to unsound economic policies and laws. This in turn explains why neither Wall Street capitalism nor the many versions of socialism can ever achieve economic or social justice.

Workers and others remain excluded from all the rights, powers and privileges enjoyed by members of the "capital ownership club" that runs the world. Ashford and Shakespeare argue that so-called "free market" policies alone cannot achieve sustainable growth and explain why the wealth gap continues to widen dangerously be-

tween nations and between the rich and poor within all nations. They point to what some call "the real Third Way," a system beyond capitalism and socialism that provides every person, as a fundamental right of citizenship, with equal access to capital credit and other "social goods" needed to become owners of capital. Their new paradigm provides:

- "a new understanding of the relationship between humans and things as they work together to produce goods and services";
- "a new explanation for industrial growth, poverty and affluence"; and



*Continued on page 10*

## Binary Economics: The New Paradigm - Review *Continued from page 9*

- “a new strategy for achieving general affluence for all people on free market principles.”

For traditional economists, Ashford and Shakespeare offer clear definitions and examples of the Kelsonian concepts of “productiveness”, “binary growth”, and “binary property rights”. They address the fundamental flaw in today’s dominant economic paradigms—an unrealistic, inefficient and blind reliance on “labor productivity” to justify mass redistributions of purchasing power.

Few unbiased people would disagree with the authors that the so-called “free market” would be better termed the “un-free market” because of the exclusionary, mainly financial, barriers inherent in the capitalist model. As they point out, a free and open market will not and cannot work under conditions where: (1) workers have only their labor to sell in a global free marketplace, (2) ownership of productive capital globally is concentrated into the hands of a small ownership class, (3) the productive efforts and labor incomes of propertyless workers remain threatened globally by labor-displacing technology (including advanced management systems) and by workers willing to accept lower wages, and (4) exclusionary barriers (e.g., the collateralization barrier, central bank discount window barriers for lenders of capital credit to workers and other capital-deprived citizens, tax system barriers, etc.) remain in our laws and institutions. *These conditions shaping our basic social institutions perpetuate monopoly ownership and preclude workers from enjoying equal ownership and profit sharing opportunities in the future.*

Following Kelso, Ashford and Shakespeare show how a free and open market system can overcome these four negative and exclusionary conditions and be modified in ways that reconnect workers to the productive process through a more participatory ownership and profit sharing system. Free markets can be restored and Say’s Law of Markets—rejected for different reasons both by Marx and Keynes—can indeed be made to work, but only within the binary growth paradigm.

The strength of this readable book is its sharp focus on economic theory. The book touches only lightly on the moral and political dimensions of binary economics. For a deeper discussion on those issues, the reader should turn directly to Kelso’s writings and to the compendium of articles (including one by Kelso and another by Ashford) presented in the book, *Curing World Poverty: The New Role of Property*, John H. Miller, ed., published in 1994 by Social Justice Review (St. Louis) and the Center for Economic and Social Justice (Washington, D.C.).

To move toward the goal of general affluence within the new ownership paradigm, the authors advocate “a binary infrastructure” including new, practical and carefully-conceived social policies and “social tools”, such as:

- an array of “constituency” vehicles, like ESOPs, which use tested principles of corporate finance for connecting all citizens with access to capital credit as a new and fundamental right of citizenship;
- a tax system and corporate policies that encourage the full payout of corporate profits;
- capital credit insurance and re-insurance as a substitute for collateral; and

- a flexible but disciplined monetary policy which liberates future growth from the slavery of past savings (along lines described by this reviewer in his article, “The Federal Reserve Discount Window” in the Winter 1998 issue of the *Journal of Employee Ownership Law and Finance*, National Center for Employee Ownership).

Semantics count in trying to communicate new paradigms. In that regard I found unfortunate the authors’ rejection of the term “third way”, suggesting that there is no higher moral alternative to capitalism (the institutionalization of greed) and socialism (the institutionalization of envy). Over 30 years ago, two officials from the Soviet Embassy who had studied the Kelsonian paradigm called it “the third alternative.” This confirmed in my mind that Kelso had indeed discovered a truly transcendent and workable “third way”, a new synthesis that combines capitalism’s ideals of a free and open global marketplace with socialism’s ideals of a just and participative society.

More troublesome is the authors’ embrace of the words “capitalist” and “capitalism”—words carrying ideological baggage from the dinosaur paradigms the authors are challenging. In my opinion, the use of these terms by Kelso in *The Capitalist Manifesto* (his classic first book on value-based, post-scarcity economics with the philosopher Mortimer J. Adler in 1958) largely explains the difficulty of binary economists in reaching intellectuals throughout the world. Most academics, especially economists, would never open a book with those words on the cover. Fortunately, Ashford and Shakespeare chose a more appropriate title for their book.

Other minor criticisms of this book involve its superficial handling of the control and governance rights of own-

## ESSENTIAL READING

ership, particularly in its discussion of worker participation. There is substantial evidence that those companies that combine Kelsonian ESOPs with profit sharing, participatory management and the structured diffusion of power and accountability clearly outperform their conventionally-owned and -managed competitors.

I also have strong reservations about the use of legal trusts as the preferred vehicles for building an ownership culture for the next millennium. Under Anglo-American law, trusts were invented with the paternalistic assumption that beneficiaries (i.e., widows and orphans) were incompetents. Thus, under trust law the full participatory rights of ownership, such as voting of shares, could be denied by the legal trustee to new beneficial owners. This flies in the face of today's trends toward greater transparency and democratic accountability in corporate affairs. In Egypt a Kelsonian team invented a more empowering mechanism—the worker

shareholder association. The association vehicle could easily be extended to cover other constituency groups which Kelso and the authors of this book covered under the law of trusts.

With these minor reservations, I wholeheartedly endorse this book as required reading for all serious and open-minded students of economics. It is especially valuable for all policymakers who have not yet become, in the words of Keynes, unwitting “slaves of some defunct economist.” Ironically, in the light of binary economics, Keynes himself has become another defunct economist. When today's “bubble economies” collapse, and they surely will because of Keynesian policies, the world will need some fresh thinking, particularly within academia. This book fills that vacuum.

*486 pages, Publisher's price: cloth \$45.00; paper \$24.50. To order, write University Press of America, 4720 Boston Way, Lanham, Maryland 20706, or call 800-426-6420 ▲*

About the Reviewer:

Mr. Kurland, a lawyer-economist and president of the Center for Economic and Social Justice, was Louis Kelso's Washington-based political strategist for 11 years, following years of work in civil rights and the War on Poverty. He was described by the *New York Times* in January 1974 as “a one-man lobbying organization for Kelsonian ideas,” after he and Kelso persuaded Senator Russell Long to champion legislation to promote employee stock ownership plans or “ESOPs.” He has authored numerous published articles on all facets of the Kelso system of economics. Among the expanded ownership models he designed was the first ESOP in a developing country, which created a workers shareholders association for 600 workers of the Alexandria Tire Company of Egypt. Mr. Kurland was appointed by President Reagan in 1985 as deputy chairman of the bipartisan Presidential Task Force on Project Economic Justice, formed to promote Kelsonian reforms in US assistance programs to developing economies.

## NEWS FROM THE NETWORK

### CESJ Uganda

- CESJ member **Bruce Mazzie** reported significant progress in Uganda, where he is heading up USAID's PRESTO project and is helping the CESJ chapter there move into action. CESJ Uganda has been attracting good attendance, with various members of Parliament participating. Its core group, including **Hon. Manzi Tumubweinee, MP; Hon. Elly Karuhanga, MP; Hon. Beatrice Birungi Kiraso, MP; and Hon. Sam Rwakoojo, MP** have become “outspoken spokespersons” for the Third Way, according to Bruce. (We are pleased to mention that CESJ Uganda's President Manzi

Tumubweinee was appointed last August as Minister of State for Trade.)

Chapter meetings have focused on several impending privatizations, with CESJ members proposing worker buyout alternatives. Much of the discussion has also related to building citizen ownership opportunities through the National Social Security Fund (NSSF). One proposal called for moving the portfolio away from real estate investment (often empty buildings) to stock purchases in productive enterprises. Each worker in the NSSF system would own a basket



Bruce Mazzie

of shares of their own choice in the mix of company shares available. Each participant would have an account book updated each year. Bruce has written a series of newspaper article on this proposal, calling the re-vamped Fund, “the people's savings.”

CESJ Uganda plans to hold a public debate on “Widespread Individual Ownership as the Way Forward for Privatization.” To be presented at the Nile Hotel Conference Center, the debate is expected to receive press coverage. The chapter members have worked hard preparing for the debate, conducting surveys and interviews prior to the event.

*Continued on page 12*

## News from the Network

Continued from page 11

### Kenya

- As a result of Norm Kurland's presentation at the conference in Seoul, Korea (*see story above*), we were especially delighted to receive a letter in early March from **Rt. Rev. Bernard Njoroge Kariuki**, Bishop of Nairobi and General Secretary of the Episcopal church of the diocese of Kenya. Bishop Kariuki writes: "[I] am interested in participating in the activities of the Center for Economic and Social Justice. We in Africa require a lot of help in this area..."

Following CESJ's response to Bishop Kariuki (which included an extensive selection of CESJ information and strategy papers), we received another letter from him. Bishop Kariuki thanked CESJ for the materials and contact names, and wrote that Kenya's popular daily press carried an article he wrote on the merits of the Third Way. His article, based on Norm Kurland's paper presented at the Seoul conference, has been receiving many positive reactions, the bishop reports. He also mentioned that at a recent meeting of the executive committee of the National Council of Churches of Kenya seeking ways of eradicating poverty in the country, the committee reacted very positively to the Third Way after he presented his paper. Among the National Council's recommendations presented to the government was that the Third Way should be espoused as a way of curing the economic woes of Kenya.

Bishop Kariuki tells us, "I am excited about my involvement with your centre as we continue to sell the Third Way to our countries." As the bishop observes, "Africa may be the continent for the next century and

might contribute greatly to the advancement of human freedom both in the economic and political spheres."

### Cameroon

- **Jerry Afuh**, founder of the Pan-African Party of Cameroon and the Pan-African Foundation based in Lincoln, Nebraska, has been working with CESJ to develop a Third Way agenda to help transform and rebuild Cameroon, ranked in 1998 by Transparency International as the world's most corrupt country. Shortly after being selected by the tribal Council of Elders as their choice to replace current president Paul Biya (whom they accuse of perpetrating "appalling human rights violations"), Mr. Afuh issued a press release. Mr. Afuh called for a "'bottom-up' approach to development based on the fundamental human right of every citizen to participate in and control the means of production."

Mr. Afuh states, "Our vision is a 'Third Way', a genuinely African way, for building a sustainable, globally competitive and free market economy in which every citizen of Cameroon will have an equal opportunity to share in economic power, accumulate equity and receive dividends of economic growth. Since effective political democracy and the rule of law cannot be sustained without an effective economic democracy, our economic agenda aims at lifting barriers to universal participation in ownership. Equal access to money and productive credit to become owners is as important to creating a new democratic society as is the ballot. Affirming our commitments to [CESJ's] *Universal Declaration on the Sovereignty of the Human Person Under God*, our rallying cry is 'economic power to the people.'"

### Member Initiatives

- New member **Steve Nieman** (Brush Prairie, WA), an airline pilot who is heading up a bid for an employee buyout of both Alaska and Horizon Airlines, is spreading CESJ's message to his members. The newsletter *EAHSOP's Cables* is educating the airline employees on Louis Kelso's ideas, spotlighting the inherent flaw in today's economic system. That flaw, Nieman points out, is "an inequitable share in our ability to make money off the machine-and-money-side of our companies—the airplanes, computers, software, leases, charters, etc.—all the tools that employees use daily that earn the Big Bucks for our combined companies." It is insufficient and counter-productive to simply bargain for the biggest hourly-contracts possible, Nieman warns. "Until workers patch into the capital side, we have yet to truly get into the game, because whoever controls the capital controls the power." Given the increasingly competitive marketplace, he emphasizes, labor, management and workers have to get beyond their traditional conflicts and pull together for everyone's mutual success.

Recent issues of *Cables* offered an ESOP buyout strategy which stressed two crucial elements: 1) the support and participation of all employee groups (unlike United Airlines' ESOP where one employee group refused to join the buyout because of a wage dispute), and 2) that the workers must seek a controlling interest in the company (at least 55% of the stock). We were delighted to see that *EAHSOP's Cables* borrowed the slogan from the button of the 1979 Ownership Campaign—"OWN" for "Ownership for Workers Now!" For more information or for copies of the *EAHSOP* newsletter, visit their website at [www.eahsop.org](http://www.eahsop.org).

# NEWS FROM THE NETWORK

- At the invitation of **Agatha Johnson** (Executive Director of Africaribé, Washington, D.C.), who came into the CESJ network through Antonio Betancourt, Norm Kurland spoke last August at a conference on Microenterprise Development, co-sponsored by the International Labor Organization (ILO) and Africaribé. 25 African entrepreneurs seeking ways to open up trade between African enterprises and the U.S. market, heard Norm discuss the Third Way as a broader framework for bringing about a high-growth, expanded ownership economy.

Agatha has arranged for Norm to be a plenary speaker in a conference sponsored by the African Development Bank. The conference will be held June 28-July 3 in Abidjan, Côte d'Ivoire, West Africa. Agatha has also arranged for Fr. Bill Christensen, who was scheduled to attend a microcredit conference in Abidjan, to stay over to give a presentation on his projects in Bangladesh.

- CESJ friend Antonio Betancourt sent a copy of CESJ's "**Capital Homestead Act**" to former **U.S. Senator Larry Pressler** (R-South Dakota), a leader in the Republican National Committee. Senator Pressler reacted enthusiastically to the Capital Homesteading agenda for extending capital ownership opportunities to all citizens through monetary, tax and fiscal reforms. Consequently he met in November with CESJ representatives Norm Kurland and Norman Bailey and Antonio. The Senator, who asked many questions about how the CHA would affect small businesses, mentioned that his own family had gained their own homestead under the original Homestead Act enacted by President Lincoln in 1862. Senator Pressler admitted that there is a growing separation in the U.S. between the rich and poor, and that the

Republicans (not to mention the Democrats) have no plan to address this. After receiving a copy of *Curing World Poverty*, Senator Pressler said he would study it and consider ways he might get the message into the Republican platform.

- Member **Norbert Hermes** (Salinas, KS) arranged for Norm Kurland to be the guest on a one-hour radio talk show in Salinas on May 13th. Norm presented CESJ's principles and Kelsonian reforms and had a good exchange with the co-hosts and callers. The hosts Clarke Sanders and George Pyle (representing both a liberal, pro-choice view and a conservative, pro-life view) invited Norm to speak again on their show. Norbert will be following up by sending the "liberal" host information from *Curing World Poverty* on CESJ's monetary and tax reforms, and is sending the "conservative" host a copy of CESJ's *Universal Declaration*.
- CESJ member **Ken Krogh** (Alexandria, VA) has been introducing his church discussion group to the ideas of Louis Kelso and CESJ. In addition to distributing CESJ materials at the Sunday morning discussion meetings of the Mount Vernon Unitarian Church in Alexandria, Ken has been arranging for CESJ speakers to address his group. In recent months, CESJ members Norm Kurland, Norman Bailey, and Dean Price, and Bob Shaw of Allied Plywood Corporation have spoken separately before Ken's group. Ken also plans to feature other CESJ talks on Value-Based Management, Capital Homesteading, and ways of implementing the Third Way.
- In response to a question raised at a 1997 symposium about how principles of social justice can be applied to a specific market problem, **James Martin** (El Paso, TX), a certified

public accountant and member of CESJ, developed a study paper integrating CESJ's Value-Based Management principles into business decision-making. Mr. Martin, who has been closely studying CESJ's book *Curing World Poverty*, writes: "I believe that *Curing World Poverty* ought to be a core course in economics at every university."

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 . . . . . CESJ extends its deepest  
 . . . . . thanks to members **Bruce Mazzie**  
 . . . . . **and Fr. Joe McDonald** for their  
 . . . . . many years of devoted volunteer  
 . . . . . service on the CESJ Board of  
 . . . . . Directors. CESJ Treasurer and  
 . . . . . Board Member Bruce Mazzie  
 . . . . . resigned this past year from the  
 . . . . . CESJ Board because of the  
 . . . . . demands of his work in Uganda.  
 . . . . . Board Member Fr. Joe McDonald  
 . . . . . (appointed by the Marianist Order  
 . . . . . to fill Fr. William Ferree's place  
 . . . . . on the CESJ Board) resigned due  
 . . . . . to serious illness.



.....  
 . . . . . We are delighted to welcome  
 . . . . . member **Tom Simon** (Arlington,  
 . . . . . VA) as CESJ's new Treasurer and  
 . . . . . Board member. Tom has been  
 . . . . . working with Norm Kurland and  
 . . . . . Dawn Brohawn to implement a  
 . . . . . model of **Value-Based**  
 . . . . . **Management** at 100% employee-  
 . . . . . owned Allied Plywood  
 . . . . . Corporation (Alexandria, VA). In  
 . . . . . the 1980s Tom was one of the  
 . . . . . chief architects of FED-COOP, an  
 . . . . . innovative federal program using  
 . . . . . ESOP concepts to privatize  
 . . . . . certain U.S. government-owned  
 . . . . . operations. He also served as  
 . . . . . Chairman of the Railroad  
 . . . . . Retirement Board and Assistant to  
 . . . . . the Chairman of the Commission  
 . . . . . on the Bicentennial of the U.S.  
 . . . . . Constitution.

# MILESTONES AND WEATHERVANES

## New Study Confirms: ESOPs Improve Companies' Performance

A major new study of ESOPs by Hewitt Associates, a large employee benefits consulting firm based in Lincolnshire, Illinois, found that Employee Stock Ownership Plans (ESOPs) improve companies' financial performance, not just staff morale.

*The New York Times* (5/9/99, Business, p.5) reported that the study examined the performance of all 382 publicly traded companies that adopted ESOPs from 1971 through 1995. The average company in the study improved the annual return on its stock by 6.9 percentage points and return on assets by 2.7 percentage points after establishing its ESOP. The study suggests that one reason for improved performance is that companies with ESOPs typically share more information about the company's financial condition. This enables employees, who now have a share of the ownership, to make better decisions that help their company. 8 out of 10 companies in the study said they share information with workers for this reason. Two-thirds of the companies studied said they saw direct benefits.

## Growing Wealth and Income Gap May Shorten Life Expectancy

In separate medical and sociological studies, American, Canadian and British researchers have found that the wider the gap in an industrialized society between rich and poor, the shorter the life expectancy of its general population. An editorial in *The Washington Post* by James Lardner, business and technology writer for *U.S. News and World Report* ("Deadly Disparities: American's Widening Gap in In-

comes May Be Narrowing Our Lifespans," August 16, 1998, p. C1) mentioned related findings in different wealth and income disparity studies.

British economic historian Richard Wilkinson at Sussex University found that Japan, known for its relatively small income gap between the highest paid executive and lowest paid worker, has an average life expectancy of 79.8 years. This surpasses the 76.2 year life expectancy for the United States, where executive pay can be one hundred to a thousand times higher than the lowest paid employee. Similarly, Sweden, which has a much narrower gap in income and wealth than the U.S., has a significantly longer life expectancy than the U.S. (which along with Russia has the world's largest gap between rich and poor).

At similar levels of industrialization, the differences in absolute levels of income and wealth between countries have no impact on life expectancy. It was the differences in income, wealth, status and power *within* the society that mattered. A study by a University of Michigan research team (published in the July 1998 issue of *The American Journal of Public Health*) comparing different metropolitan areas in the U.S found that the same pattern held—high inequality, high mortality; low inequality, low mortality.

Recent discoveries on the effects of psychosocial forces on physical health suggest an explanation. Researchers have found that low status among animals in a social group contributes to higher levels of stress in low-status individuals, which elevates levels of stress-related hormones, which in turn contributes to heart disease, cancer and strokes.

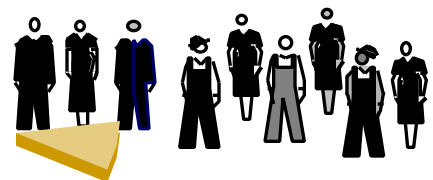
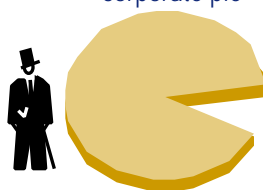
The editorial concludes, "it ought to be clear that these problems won't be solved with a little 1960s-style income redistribution. They involve the ways in which we distribute money (and power and status) in the first place, and that being so, call for a basic change of thinking on the part of society, corporate chieftains included."

## High Pay Differentials Hurt Team Performance, Study Finds

Along a similar vein, the *Wall Street Journal* (3/23/99, p. B1) reported on a study by Dr. Matt Bloom, a University of Notre Dame management professor, comparing pay and performance data for 1,644 players on 29 major-league teams over nine seasons. His main finding: The bigger the pay differential between a team's stars and its lowest paid players, the worse its record. Dr. Bloom speculates that big income differentials "sow the seeds of discord... instilling feelings of inequality and dissatisfaction and disrupting cooperation and teamwork."

## Distribution of Corporate Ownership in the U.S.A.

10% own 90% of today's corporate pie



Joint Economic Committee

# AVAILABLE PUBLICATIONS

## Building Justice in the Workplace and the Economy

**A1-Toward Economic and Social Justice.** CESJ's founding principles. Defines basic terms and moral principles underlying Kelsonian economics.  
**Members: \$5.00, Non-members: \$6.50**

**A2-Introduction to Social Justice.** Rev. William Ferree's 1948 classic treatise defines "social virtues" and "social charity" in terms of how human beings relate to those "invisible structures" (institutions), and how through "acts of social justice" we can correct unjust institutions. Contains study questions.  
**Members: \$5.00, Non-members: \$6.50**

**A3-Curing World Poverty: The New Role of Property.** (Published by Social Justice Review with CESJ.) Writings by leading scholars, practitioners and business leaders on the theory, policy reforms and practical applications of expanded capital ownership—the just free market antidote to the scourge of global poverty. CESJ's "textbook for change."  
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**A4-Universal Declaration on the Sovereignty of the Human Person Under God.** Principles and economic agenda for securing human life and dignity, and empowering the person and family in today's world.  
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**A5-Questions and Answers: The Role of Property in Building Economic and Social Justice.** Exchanges with scholars and religious leaders participating in 1991 CESJ seminar in Rome.  
**Members: \$3.50, Non-members: \$5.00**

**A6-Expanded Capital Ownership: A New Paradigm for Economic Justice and Empowerment.** CESJ presentation to the Congressional Black Caucus on new thrust for community development through "super empowerment zones."  
**Members: \$3.50, Non-members: \$5.00**

**A7-Journey to an Ownership Culture: Insights from the ESOP Community.** (Published by Scarecrow Press and The ESOP Association, 1997.) Lessons from leading ESOP companies and professionals on building participatory ownership and Value-Based Management in the workplace.  
**Members: \$30.00, Non-members: \$35.00**

## National and Regional Economic Development Strategies

**B1-The Capital Homestead Act: National Infrastructural Reforms to Make Every Citizen a Shareholder.** CESJ's national credit, tax and expanded ownership reforms for economically empowering every citizen and family with an ownership stake in the high-technology frontier. Updated and expanded from strategy paper developed at the request of the chief economist of the National Security Council in 1982.  
**Members: \$5.00, Non-members: \$6.50**

**B2-The Federal Reserve Discount Window.** Examines an untapped off-federal budget source of expanded bank credit for accelerating private sector growth, new ESOPs and genuine economic empowerment for all. Contains 1995 exchange between U.S. Cong. Bennie Thompson and Federal Reserve Chairman Alan Greenspan with CESJ response.  
**Members: \$3.50, Non-members: \$5.00**

**B3-Beyond ESOP: Steps Toward Tax Justice.** Outlines sound tax philosophy and proposed legislative reforms for encouraging a just tax system which promotes expanded capital ownership. (Appears in Curing World Poverty.)  
**Members: \$5.00, Non-members: \$6.50**

**B4-New Seeds of Hope: Economic Empowerment of America's Rural Citizens.** CESJ rural development reforms developed for the U.S. Secretary of Agriculture and presented at the 1994 USDA Senior Policy Retreat.  
**Members: \$5.00, Non-members: \$6.50**

**B5-High Road to Economic Justice.** Report and recommendations to the President and the Congress by the 1986 Presidential Task Force on Project Economic Justice. Advocates ESOPs and widespread citizen access to capital ownership as a new thrust in U.S. regional foreign economic development policy.  
**Members: \$12.00, Non-members: \$15.00**

**B6-An Illustrated Guide for Statesmen.** Presents CESJ's two-pronged strategy for implementing ESOP privatizations in a transforming economy.  
**Members: \$3.50, Non-members: \$5.00**

## Tools for Community Economic Development

**C1-The Community Investment Corporation: A Vehicle for Economic and Political Empowerment of Individual Citizens at the Community Level.** This land planning and development mechanism applies expanded ownership principles and ESOP-type financing for rebuilding communities.  
**Members: \$3.50, Non-members: \$5.00**

**C2-Capital Homesteading for D.C. Citizens: A Federal Reserve Demonstration for Funding Economic Empowerment.** Offers a local demonstration of CESJ's Capital Homesteading reforms which can be tailored to the economic development needs of other communities. Contains an introduction by former Congressman Rev. Walter Fauntroy.  
**Members: \$5.00, Non-members: \$6.50**

## CESJ Study Groups and Chapters

**D1-How to Win a Revolution...And Enjoy It.** Describes CESJ's "four-pronged" strategy for spreading the "third way" of expanded ownership.  
**Members: \$5.00, Non-members: \$6.50**

**D2-The Expanded Ownership Paradigm: A Graphic Overview.** An illustrated tour through the principles of economic justice and Kelsonian economic theory.  
**Members: \$3.50, Non-members: \$5.00**

**D3-Selected Bibliography from the Expanded Ownership Movement.**  
**Members: \$3.50, Non-members: \$5.00**

**D4-CESJ Chapter Organizing Manual.** Contains tips, steps and forms for starting a CESJ chapter in your community or university.  
**Members: \$12.00, Non-members: \$15.00**

**D5-VIDEO. CESJ Forum with Institute for Policy Studies.** Lecture of CESJ Pres. Norman Kurland and round-table discussion on expanded ownership paradigm, with columnist and author William Greider, former chief economist of the National Security Council Dr. Norman Bailey and other scholars.  
**Members: \$15.00, Non-members: \$18.00**

**D6-VIDEO. Economic Empowerment Through Expanded Capital Ownership.** Televised interview of the Hon. Rev. Walter Fauntroy and Norman Kurland discusses principles of economic and social justice and the Capital Homestead Initiative for D.C. citizens.  
**Members: \$15.00, Non-members: \$18.00**

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▲ Closing Thoughts ▼

“[T]he growth and justice promised by a binary economy rest on a unique distributional premise related to capital in a private property economy: *The more broadly capital is acquired over time on market principles, and its income fully distributed to its new owners, the larger the economy will grow.*”

Robert Ashford and Rodney Shakespeare  
*Binary Economics: The New Paradigm*

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