

**CENTER FOR ECONOMIC AND SOCIAL JUSTICE****OIL POWER TO THE PEOPLE:**

**A FIRST STEP TO JUSTICE IN SAUDI ARABIA,  
A Big Leap Forward for Humanity**

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*“The peace we seek will only be achieved by eliminating the conditions that feed radicalism and the ideologies of murder. If whole regions of the world remain in despair and grow in hatred, they will be recruiting grounds for terror, and that terror will stalk America and other free nations for decades. . . . America will stand with the allies of freedom to support democratic movements in the Middle East and beyond, with the ultimate goal of ending tyranny in the world.”*

**President George W. Bush, State of the Union Address, February 2, 2005**

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## **Introduction**

While few Americans can fault President Bush’s commitment to freedom and democracy for ending tyranny in the Middle East, is economic plutocracy compatible with political democracy? Can there be a peaceful transformation toward lasting political democracy in Saudi Arabia without a free enterprise version of economic democracy? And can that occur without creating a level playing field in which every Saudi male and female can have an equal opportunity to become an economically independent capital owner, starting with the sharing of ownership, profits and governance of a denationalized Saudi Arabian Oil Company? If a referendum were held today in Saudi Arabia, would Saudi citizens, if they had to make a choice, choose equal access to the political ballot and political power, or would they choose equal access to wealth-producing assets and economic power? Are there universal principles of justice imbedded in the birth of American democracy and consistent with Islam, Christianity and Judaism that could help guide and expedite a bottom-up process of achieving full democracy and universal human rights for women as well as men? These are the questions that America and its democratic allies have not yet addressed.

In addressing the future of freedom and democracy in the world, or in a Saudi Arabia where total power resides in a single family, we must first ask whether freedom, peace and political democracy are sustainable or even attainable in a society that breeds religious hatred and suicide terrorists, if fundamental human rights do not rest on a solid foundation of economic democracy, and economically self-reliant citizens. Another way of making this point is that a just political order must follow a just economic order, and that requires American leaders to radically expand their geopolitical thinking about the future of global economy and how to achieve economic democratization within a just and free market economy.

R. Buckminster Fuller, perhaps America’s greatest futurist thinker on the untapped potential of modern technology, offered these mind-stretching thoughts about today’s political realities and economic realities<sup>[1]</sup>:

[H]ere is an educational bombshell: Take from all of today's industrial nations all their industrial machinery and all their energy-distributing networks, and leave them all

their ideologies, all their political leaders, and all their political organizations, and I can tell you that within six months, two billion people will die of starvation, having gone through great pain and deprivation along the way.

However if we leave the industrial machinery and their energy-distribution networks and leave them also all the people who have routine jobs operating the industrial machinery and distributing its products, and we take away from all the industrial countries all their ideologies and all the politicians and political machine workers, people would keep right on eating. Possibly getting on a little better than before.

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Don't attempt to reform man. An adequately organized environment will permit humanity's original, innate capabilities to become successful.

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There is no Energy Shortage. There is no Energy Crisis. There is a Crisis of Ignorance.

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We are called to be architects of the future, not its victims.

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Fuller then offered this challenge to those wielding power to solve big problems:

To make the world work for 100% of humanity in the shortest possible time through spontaneous cooperation without ecological offense or the disadvantage of anyone.

Let me propose an “intellectual H-bomb” that would meet Fuller’s challenge, further the cause of democracy and freedom in Saudi Arabia and the Middle East, and strike at one of the main funding sources for global terrorism:

#### **A Plan to Distribute Free Oil Shares to Saudi Citizens**[\[2\]](#)

Saudi Arabian advocates of democracy and human rights, and their friends around the world, should spearhead their strategy for peaceful transformation of Saudi politics with a call for a 5-year plan to denationalize the Saudi national oil company. The underlying premise for the proposal is that anything, especially natural resources that can be owned by a nation-state, can and should be owned privately and individually by the people as a fundamental right of citizenship and the basis of all human rights. This would be an essential first step toward developing a model economy that discourages concentrations of ownership and economic power, leading to a constitutional order and legal system in which those holding State power are economically dependent on economically independent citizen-owners, rather than vice versa.

Assuming the forces of Saudi Arabian democratization could mobilize a “critical mass” of support from the Saudi Arabian people, what would be the main short-term and long-term objectives of their plan?

**PHASE 1:** The Saudi National Oil Company would be converted into a professionally managed joint stock corporation. Initial shares would be issued *at no cost* to every oil worker and Saudi citizen — uniting members of the Saudi family with all economically dependent Saudi men and women in one fell swoop — and guarantee each of them first-class shareholder rights to the profits and voting control of the company. (This plan avoids the top-down model of the Alaskan Oil Fund, a democratic socialist model where the elite who control government control how oil profits will be spent and decide the level of “dividends” that trickle-down to propertyless citizens.)

Initial shares in the denationalized oil company would be non-transferable for 10 to 20 years, except for inheritance upon death. Tax-sheltered share accumulation accounts, as with employee stock ownership plans under U.S. law, would be given the power to borrow interest-free, non-recourse productive credit on behalf of each citizen-shareholder for future share issuances to meet the expansion and modernization needs of the former state-owned oil company. These “capital homestead accounts” would also be available for funding new enterprises and the growth of existing enterprises, with the debt secured and repaid by the projected dividends on the newly issued shares.

Preferential oil production leases could be offered to competitive operating companies that are financed in ways that they become broadly owned by all their workers and other stakeholders.

If oil dividends flow directly to citizen-owners, how would the government be funded? Future government revenues for carrying on normal functions of government would be raised by taxing at a single rate all incomes above the poverty line from increased citizen incomes. This would reduce non-accountable top-down political control by any wealthy Saudi or foreign elite, or by foreign oil interests. This bottom-up source of revenues would not only fund education, health care, security, the judiciary and other government functions now funded by the Saudi Royal Family, but would be available for funding the transformation of governance to a democratic political process, the development of a constitution that protects fundamental human rights and the transition to a representative government with appropriate checks-and-balances. And independent democratic institutions would be funded by the people, relieving the people from institutions that oppress them today. The profits from oil would lubricate the wheels of freedom and justice for all.

**PHASE 2:** Offer support to the leaders selected by the Saudi people to establish a written constitution that reflects all the rights contained in the UN Declaration of Human Rights, strengthening Article 17 (acknowledging every person’s right to own property individually or in association with others). The new Iraqi constitution would include the provision that as a fundamental right of citizenship every citizen is guaranteed access to the social means (i.e., money and interest-free productive credit) for acquiring and possessing income-producing property.<sup>[3]</sup> It should also guarantee equal rights for women, religious pluralism and freedom of conscience, a free press, and freedom of association. All central banking, tax, credit and banking, property, corporation, insurance, labor, anti-monopoly and related economic laws should, if necessary, be reconstituted to conform to the constitution and to establish institutions supporting economic democracy and universalization of the right of access to private property and protection of rights of property.

**PHASE 3:** Restructure the discount power of the central bank in Saudi Arabia to create interest-free, asset-backed money for facilitating private-sector growth without inflation, linked to providing more widespread citizen access to capital credit and allocated through local banks and institutions.

**PHASE 4:** Have the U.S. introduce a resolution into the UN General Assembly to treat Saudi Arabia as a “global free trade zone” whose imports and exports would be exempt from all trade barriers and tariffs of other countries. In this way the international community could provide a major catalyst for “Peace through Justice” in Saudi Arabia and throughout the Middle East.

#### **What Moral Principles Compel the Free Oil Shares to the People Proposal?**

Economic democracy, whether at the level of the global economy, within any nation-state, or within any operating productive enterprise, must be based on sound principles of social and economic justice. The balance of this paper is to define terms and describe the vision, principles, infrastructural framework, and practical “social tools” for evolving a just and free society in any society, including Saudi Arabia or any Middle Eastern nation-state. For reasons explained below, we call this global vision “the Just Third Way”, distinguishing it from so-called “democratic capitalism” and other “third way” ideologies that have been tried and failed to secure peace in the global war launched by religiously-inspired global terrorists who reject “capitalism” as inherently unjust.

## What is Justice?

To paraphrase Victor Hugo: “More powerful than all the money and military might in the world is an idea whose time has come.” A new worldview of justice, properly understood, is the most powerful force to be placed in the hands of ordinary people and new leaders to transform degrading, oppressive and dehumanizing systems. A more universal vision of justice is the ultimate weapon to inspire ordinary people to rise up to fight against religious hate-mongers, tyrants and networks of global terrorists. Such a new worldview would point the way to a lasting and humane solution to global conflicts. As Pope Paul VI reminded us, “If you want peace, work for justice.”

Before we can apply its principles, we need to ask ourselves, what is “justice”? Louis Kelso (the philosophical father of a new paradigm some have called the “Just Third Way”) and Mortimer Adler (the Great Books philosopher and Aristotelian scholar who once taught the Philosophy of Law at the University of Chicago Law School) articulated a classical definition of “justice”:

“Justice, in its most general formulation, imposes the following moral duties or precepts upon men who are associated for the purposes of a common life: (1) to act for the common good of all, not each for his own private interest exclusively; (2) to avoid injuring one another; (3) to render to each man what is rightfully his due; and (4) to deal fairly with one another in the exchange of goods and in the distribution of wealth, position, status, rewards and punishments.” [\[4\]](#)

### Understanding Social Justice and Social Charity

In his seminal work, *The Act of Social Justice* (1943), the late Marianist priest Father William Ferree, a co-founder of our interfaith center, argued that the dignity of the human personality is the basis of any sound theory of justice. Describing justice at the individual or personal level, Ferree wrote:

For Pope Pius XI [in his 1931 Encyclical, *Restructuring of the Social Order*], the theory of justice is based squarely on the dignity of the human personality. His position is that charity regulates our actions toward the human personality itself, that *Image of God* which is the object of love because it mirrors forth the Divine Perfections, and in the supernatural order shares those perfections. The human personality, however, because it is a created personality, needs certain “props” for the *realization* of its dignity. These “props” or supports of human dignity, which include such things as property, relatives and friends, freedom and responsibility, are all objects of justice. To attack a human person in his personality *itself*, as by hatred, is a failure against charity; but to attack him by undermining the supports of his human dignity, as by robbery, is a failure against justice.[\[5\]](#)

In defining justice at the social level — how individuals should act when their institutions are in need of reform — Ferree wrote:

The same thing is true in the field of social morality. The human community, as such, shows forth the perfections of God in ways that are not open to individuals. This fact is very clearly stated in paragraph 30 of the Encyclical *Divini Redemptoris*:

“In a further sense it is society which affords the opportunity for the development of all the individual and social gifts bestowed on human nature. These natural gifts have a value surpassing the immediate interests of the moment, for in society they reflect a Divine Perfection, which would not be true were man to live alone.”

Society *itself*, therefore, as thus revealing further the perfection of God in His creatures, is worthy of love: of a love directed not only towards the individuals who compose the society, but also toward their union with each other. This love is social charity.

Moreover, as society thus makes available to man the further perfection of his potentialities of

mirroring the Divine Perfection, *it is also a support* for these perfections, and hence is an object of the virtue of justice. This justice, Social Justice, which is directed at the Common Good itself, requires that the society be so organized as to be in fact a vehicle for human perfection. [6]

These fundamental concepts of justice are embedded in the founding ideals of America and the UN's Universal Declaration of Human Rights, as well as in the moral tenets of Judaism, Christianity, Islam and other great spiritual traditions.

### **Understanding Economic Justice**

If social justice consists of organizing with others to transform social institutions, then the pursuit of economic justice is an indispensable part of social justice. Principles of economic justice deal with all institutions affecting the production, consumption and distribution of economic goods and services. They deal with the more urgent material human needs, in contrast to the higher spiritual, intellectual, cultural and social needs that must be satisfied for the fullest development of every person. Since institutions are artifacts created by human beings, all institutions are capable of being transformed and perfected by human beings. Indeed, as Ferree reminds us, organizing with others to transform and perfect our institutions is a continuing responsibility of each of us, once we share a common vision and common principles of effective action.

Among all the writings on the subject of economic justice, the clearest set of principles I have encountered are in a 1958 book, *The Capitalist Manifesto*, [7] co-authored by Louis O. Kelso and Mortimer J. Adler. While the book was a best-seller when published, most scholars never got past the cover of book, undoubtedly because of its (in my view) misleading title. Kelso and Adler challenged basic assumptions of conventional paradigms of political economy. They developed a simple yet profound theory of economic justice that sheds new light on the impact of technology on human work and the development of modern civilization. They described the systemic political and moral flaws of national "full employment" policies and how today's global economic order creates an ever-expanding gap in economic power, opportunity and incomes between a wealthy elite and propertyless workers.

As a lawyer, Kelso saw that the design of our "invisible" institutional environment and social tools determines the quality of people's relationship to technology. Such intangible things as our laws and financial systems determine which people will be included or excluded from access to economic opportunity, power and capital incomes.

Access to capital ownership, asserted Kelso, is as fundamental a human right as the right to the fruits of one's labor. Kelso argued that the democratization of money creation and capital credit is the "social key" to universalizing access to future ownership of productive wealth. This social key could enable every person, as an owner, eventually to gain income independence through the profits from one's capital.

Kelso's general theory and vision have been trivialized and virtually ignored by academia and the mainstream media. This explains in large measure why economists cannot understand or solve within their outdated paradigms most of the problems arising from economic globalization. Nevertheless, before his death in 1991, Kelso gained international fame as the inventor of the Employee Stock Ownership Plan or "ESOP," one of the tools he developed to democratize access to money and credit.

### **Kelso's Economics of Ownership and Justice**

At the heart of what Kelso called "binary economics" [8] is a simple but revolutionary proposition. Kelso stated that people could legitimately create economic value through two (thus *binary*) factors of production:

- *Labor* (which Kelso defined as all forms of economic work by people, including manual,



- *Capital* (defined by Kelso as anything non-human contributing to the production of marketable goods and services, including tools, machines, land, structures and infrastructural improvements, management systems, and patents). Kelso, like another post-scarcity thinker, Buckminster Fuller, attributed most changes in the productive capacity of the world since the beginning of the industrial revolution to technological improvements in our capital assets, and a relatively diminishing proportion to economic work.

Capital, in Kelso’s terms, does not “enhance” labor productivity, i.e., labor’s ability to produce economic goods. It makes many forms of labor unnecessary. Furthermore, according to Kelso, productive capital is increasingly the source of the world’s economic growth and therefore should become the source of added property incomes for all.

### **The Three Basic Principles of Economic Justice**

Kelso based his ideal market system on three essential and interdependent principles of economic justice:

**(1) Participation**, the input principle. If both labor and capital are interdependent factors of production and if capital’s proportionate contributions are increasing relative to labor’s, then equality of opportunity demands that the right *to* property (and access to the means of acquiring and possessing property) must in justice be extended to all.

**(2) Distribution**, the out-take principle. Property rights require that income be distributed based on the value of what one contributes to production — one’s labor, one’s capital, or both. *Assuming that capital ownership is spread broadly*, the free and open market under Kelso’s system becomes the most democratic and efficient means for determining just prices, just wages and just profits. If both sales revenues and all labor costs are set by globally competitive market forces, then profits — the revenues left over after all labor costs of an enterprise are subtracted — represent a market-based return to capital in the form of profits to be shared among all the firm’s co-owners.

The principle of distribution for the virtue of charity (according to need) complements the distributive principle for the virtue of justice (according to contribution). Charity, however, should never be a substitute for justice. Without justice people will not be motivated to produce enough wealth for themselves and to engage in charitable acts for the needy, and the needy will never become self-sufficient.

**(3) Limitation**, the feedback or, in moral terms, the anti-greed principle (which some Kelsonians call the principle of “Harmony” and others call “Restorative Justice” or “Social Justice.”) This principle, exercised through organized efforts to transform unjust institutions, guides the restoration of balance between “participation” (input) and “distribution” (out-take) when either principle is violated. It puts limits on monopolistic accumulations of capital, concentrations of control over money and society’s main levers of economic power, and other abuses of property.

### **The Four Pillars of an Economically Just Society**

Common to all economies of the world — whether capitalist, socialist or mixed — is a set of premises and a logical framework called the “wage system.” In general the wage system assumes that the vast majority of people will earn their basic sustenance through wages or welfare, while the bulk of productive capital will be owned and/or controlled by a tiny elite or the State that employ the laboring masses. The laws and institutions of every nation today reinforce this system, erecting barriers to full economic participation by every person, disconnecting distribution of incomes from actual economic contribution, and further concentrating power and property in the hands of a few.

All wage systems ignore one or more of what can be called the "Four Pillars," the essential principles for building a more just economy:

- **Expanded Ownership of Productive Assets**
- **Limited Economic Power of the State**
- **The Restoration of Free and Open Markets**
- **The Restoration of Private Property**

Leaving out any one of these pillars, particularly during a period of economic reform, weakens the entire fabric of the economy and leads to eventual conflict or collapse. Applying the Kelso-Adler theory of economic justice, the four pillars offer a policy framework for transforming “wage systems” into “ownership systems.”

#### Expanded Ownership of Productive Capital: The Moral Omission of All Existing Economies

One of the most crucial problems that Marx addressed in his economic theories was that ownership of productive assets — "capital" — was limited to the very few. As a result, no high technology market system could possibly produce sustainable growth, since working people would have only their labor to sell in direct competition with labor-displacing technology and a growing world population of workers willing to work for lower wages.

Unfortunately, Marx's solution to this mismatch between the rising productiveness of technology and market-based consumption incomes was to concentrate productive wealth and power even more by mandating state ownership of all productive assets. This resulted in enormous concentrations of wealth and power in the hands of a new elite.

The real problem that Marx faced, however, was not private ownership of productive property, but *concentration* of private ownership. Turning Marx upside down, Kelso would make every worker an owner of a growing stake of income-producing property. This would both achieve economic justice for all and stabilize and sustain growth in any market economy.

#### Limited Economic Power of the State

Limiting the economic power of the state ultimately involves the goal of shifting ownership and control over production and income distribution from the state to the people. To do this, the economic power of the state should be specifically limited to:

- Encouraging sustainable and life-enhancing growth and policing abuses within the private sector;
- Lifting barriers to equal ownership opportunities, especially by reforming the money-creating powers of the central bank to provide widespread access to low-cost capital credit as the key to spreading ownership and economic empowerment for workers;
- Preventing inflation and providing a stable currency for sustainable development;
- Protecting property, enforcing contracts and settling disputes;
- Ending economic monopolies and special privileges, except for limited terms for holders of patents, copyrights and other intellectual property rights;
- Encouraging democratic labor unions to become democratic ownership unions that organize to turn all workers into owners and promote economic justice in the ownership, governance and management of all private sector enterprises;
- Protecting the environment; and

- Providing social safety nets for human emergencies.

Within these limits the state would promote economic justice for all citizens. Coincident with this objective would be the goal of reducing human conflict and waste and erecting an institutional environment that would encourage people to increase economic efficiency and create new wealth for themselves and the global marketplace. Increased production would increase total revenues for legitimate public sector purposes, reducing the need for income redistribution through confiscatory income taxes and social welfare payments.

### *Restoration of Free and Open Markets*

Artificial determinations of prices, wages and profits lead to inefficiencies in the use of resources and scarcity for all but those who control the system. Those in power either have too little information or wisdom to know what is right, or will set wages and prices to suit their own advantage. Just prices, just wages, and just profits are best set in a free, open and democratic marketplace, where consumer sovereignty reigns. Assuming economic democratization in the future ownership of the means of production, everyone's economic choices or "votes" on prices and wages influence the setting of economic values in the marketplace.

Establishing a free and open market would be accomplished by gradually eliminating all special privileges and monopolies created by the state, reducing all subsidies except for the most needy members of society, lifting barriers to free trade and free labor, and ending all non-voluntary, artificial methods of determining prices, wages and profits. This would result in *decentralizing economic choice* and *empowering each person* as a consumer, a worker and an owner.

Wealth distribution assumes wealth creation, and technological and systems advances, according to recent studies, account for almost 90% of productivity growth in the modern world.<sup>[9]</sup> Thus, balanced growth in a market economy depends on incomes distributed through widespread individual ownership of the means of production. The technological sources of productive growth would then be automatically linked with the ownership-based consumption incomes needed to purchase new wealth from the market. Thus, Say's Law of Markets — which both Marx and Keynes attempted to refute — would become a practical reality for the first time since the Industrial Revolution began.

### **Restoration of Private Property**

Owners' rights in private property are fundamental to any just economic order. In the law, property is not the things that are owned. Property is the bundle of rights that determines one's relationship to things. (In the modern era, we recognize that property owners cannot legitimately treat other persons as "things," as in more dehumanizing cultures including America's own past.) Property secures personal choice, and is the key safeguard of all other human rights. By destroying private property, justice is denied. Private property is the individual's link to the economic process in the same way that the secret ballot is his link to the political process. When either is absent, the individual is disconnected or "alienated" from the process.

In his classic critique of *Das Kapital*<sup>[10]</sup>, Louis O. Kelso, who agreed completely with Marx's description of the structural flaws and injustices inherent in a laissez-faire, monopoly capitalistic system, found three fatal errors<sup>[11]</sup> in Marx's analysis. One of these, according to Kelso, was "Marx's failure to understand the political significance of property":

Before examining Marx's second critical error, it may be helpful to take note of what the concept of "property" means in law and economics. It is an aggregate of the rights, powers and privileges, recognized by the laws of the nation, which an individual may possess with respect to various objects. Property is not the object owned, but the sum total of the "rights" which an individual may "own" in such an object. These in general include the rights of (1) possessing, (2) excluding others, (3) disposing or transferring, (4) using,



(5) enjoying the fruits, profits, product or increase, and (6) of destroying or injuring, if the owner so desires. In a civilized society, these rights are only as effective as the laws which provide for their enforcement. The English common law, adopted into the fabric of American law, recognizes that the rights of property are subject to the limitations that

- 1) things owned may not be so used as to injure others or the property of others, and
- 2) that they may not be used in ways contrary to the general welfare of the people as a whole.

From this definition of private property, a purely functional and practical understanding of the nature of property becomes clear.

Property in everyday life, is the right of *control*.

**Property in Land.** With respect to property in land, we need merely note that the acquisition of an original title to land from a sovereign is a political act, and not the result of operations of the economy. If the original distribution of land unduly favors any group or type or persons, it is a political defect and not a defect in the operation of the economy as such. A capitalistic economy assumes and recognizes the private ownership of land. It may, as under the federal and state mining laws and federal homestead acts, encourage private ownership of land by facilitating private purchasing of mining, timber, agricultural, residential or recreational lands.

**Property in Capital.** In a capitalistic economy, private ownership in all other articles of wealth is equal in importance to property in land. From the standpoint of the distributive aspects of a capitalistic economy, property in capital — the tools, machinery, equipment, plants, power systems, railroads, trucks, tractors, factories, financial working capital and the like — is of special significance. This is true because of the growing dependence of production upon capital instruments.

Of the three components of production land is the passive source of almost all material things except those which come from the air and the sea, while labor and capital are the active factors of production. Labor and capital produce the goods and services of the economy, using raw materials obtained, for the most part, from land. Just as private property in land includes the right to all rents, the proceeds of sale of minerals and other elements or substances contained in land, private property in capital includes the right to the wealth produced by capital. The value added to iron ore by the capital instruments of a steel mill becomes the property of the owners of the steel mill. So is the case of all other capital instruments.

**Property in Labor.** What is the relationship of the worker to the value which he creates through his work? It has been said that no one has ever questioned the right of a worker to the fruits of his labor. Actually, as was long ago recognized by John Locke and Jean Jacques Rousseau, the right of the worker to the value he creates is nothing more than the particular type of private property applicable to labor. Each worker, they said, has a right of private property in his capacity to produce wealth through his labor and in the value which he creates.

Restoring the idea as well as the fact of private property — especially in corporate equity — would involve the reform of laws that prohibit or inhibit acquisition and possession of private property. This would include ensuring that all owners, including shareholders, are vested with their full rights to participate in control of their productive property, to hold management accountable through shareholder representatives on the corporate board of directors, and to receive profits commensurate with their ownership stakes. Private property links income distribution to economic participation — not only by owners of existing assets, but also by new owners of future wealth.

Control over money and credit (i.e., financial capital) largely determines who will own and control productive capital in the future.

When the subject of money and money creation comes up, we sometimes forget that money is a man-made thing, and is morally neutral. Its goodness or badness depends solely on how it is created and how it is used. Like the secret ballot in politics, money is a uniquely "social good," an invention of modern civilization, a means for measuring economic values and enabling people to participate in a market economy.

A realistic definition of money is critical for mobilizing support for transforming national and global economic systems. Here is Louis Kelso's definition:

Money is not a part of the visible sector of the economy; people do not consume money. Money is not a physical factor of production, but rather a yardstick for measuring economic input, economic outtake and the relative values of the real goods and services of the economic world. Money provides a method of measuring obligations, rights, powers and privileges. It provides a means whereby certain individuals can accumulate claims against others, or against the economy as a whole, or against many economies. It is a system of symbols that many economists substitute for the visible sector and its productive enterprises, goods and services, thereby losing sight of the fact that a monetary system is a part only of the invisible sector of the economy, and that its adequacy can only be measured by its effect upon the visible sector.[\[12\]](#)

And that is the crux of the matter. Today money is created and credit extended in ways that keep the rich wealthy, and the poor in their place. Consumer credit, for example, is available virtually to everyone, while access to capital (or "productive") credit is restricted to use by those who meet the universal requirement for collateral, *i.e.*, the rich. Thus, the poor and middle-class get the most risky and highest cost credit, while the rich get the lowest-cost and least risky kind of credit. It is more than an outworn truism that you need money to make money, or that lenders will only extend capital credit to people who don't need to borrow.

For example, let us look at the \$2 trillion of growth assets added each year in the US public and private sectors, consisting of new technology, plant and equipment, physical infrastructure and rentable space.[\[13\]](#) Amounting to a growth increment of \$7,000 for every man, woman and child, these productive assets will be financed in ways that add almost no new owners. If capital credit were to become as universally accessible as the political ballot, capital assets could become a growing source of independent capital incomes for all persons and their families.

What makes capital credit special is that by nature it is procreative or "self-liquidating." That is, capital credit is restricted to the purchase of assets that are expected to pay for themselves out of the revenues generated from the capital project which it financed, and thereafter these assets are expected to earn a continuing flow of profit for whoever owns the assets. Capital credit is inherently counter-inflationary. Consumer credit, on the other hand, does not generate its own repayment, and any repayment must come out of the user's other resources. When used to any significant extent, consumer credit greatly reduces the purchasing power of the user.

#### **The Democratization of Productive Credit: A New Right of Citizenship**

The primary social means to bring about expanded ownership of productive assets involves the *democratization of productive, self-liquidating credit*.

By making productive credit available on a truly democratic basis, society moves people toward economic self-sufficiency and independence. A broad dispersion of wealth and power serves as the ultimate check

### **Why is Access to Ownership the Antidote to the Injustices of Global Capitalism?**

Most people in general, and academics in particular, can describe problems. They flounder, however, for new solutions in fighting threats to regional and global peace, freedom and the rule of law. Many agree that economic growth equitably shared is necessary for overcoming poverty — the taproot of conflict, revolutions and war — within and among nations. But few ask new questions that could reveal *systemic* flaws in current development models that have failed to significantly reduce poverty in a world capable of producing economic sufficiency for every person.

If “ownership is a *sine qua non* of development,” as expressed by World Bank President James Wolfensohn, why have the strategies of Western development experts failed to create nations of owners, from the bottom-up? What in the current system of economic globalization produces an ever-widening and dangerous gap in economic power and economic self-determination between haves and have-nots, among nations and within all nations in the global marketplace? Can free markets, free trade, private property and limited government be made compatible with economic and social justice? What practical systemic changes could be introduced to transform the globalization process into a blessing, especially for the poorest of the poor in Saudi Arabia, Iraq, Gaza, the West Bank, Afghanistan, Kashmir, Indonesia, the Philippines, Chechnya and other breeding grounds of human hopelessness, group hatred, and the next rounds of suicide terrorism?

### **A Different Perspective on Economic Globalization**

Conventional development approaches are based on wrong-headed, win-lose assumptions that argue that scarcity is inevitable and shared abundance is impossible.

R. Buckminster Fuller, a post-scarcity thinker, architect, and engineer, refuted the conventional wisdom by pointing out: “There is only one revolution tolerable to all men, all societies, all political systems: Revolution by design and invention.” Besides offering a still untried vision for tapping technology’s untapped synergistic potential, Fuller then, as noted earlier, issued this challenge to the world: “[M]ake the world work for 100% of humanity in the shortest possible time through spontaneous cooperation without ecological offense or the disadvantage of anyone.”[\[14\]](#)

In contrast to Fuller’s optimistic approach to global development, pessimism and a sense of hopelessness around the world has been fueled by a growing awareness of a force that is greater than the power of any nation state in the world — the force of economic globalization. This is the conclusion of best-selling author William Greider in his 1998 book, *One World, Ready or Not: The Manic Logic of Global Capitalism*. Greider points out that economic globalization — driven by a financial elite with the power to shift billions of dollars almost instantaneously from one country to another — is a reality and will not go away. The ability of those who control money and finance to topple seemingly invulnerable heads of state was evidenced in the overthrow of the Suharto regime in Indonesia.

The subordination of most world political leaders to the controllers of money was predictable at least a century ago when one of the world’s earliest financial capitalists, Baron Mayer Anshel Rothschild, was quoted as saying, “Permit me to control the issuance of a nation’s money and credit, and I care not who makes the laws.”[\[15\]](#) Rothschild understood the real source of world power.

For most people, however, economic globalization means a growing gap between rich and poor, technological alienation of the worker from the means of production, and the phenomenon of “wage arbitrage.” It means an environment in which global corporations and strategic alliances can force workers in high-cost wage markets to compete with labor-saving tools and lower-paid foreign workers.

Even the United States, which today seems to be enjoying relative economic prosperity in the midst of the world’s financial downslide, is showing similar symptoms. The USA has one of the widest gaps

between the “haves” and “have-nots.”<sup>[16]</sup> American business has the widest pay gap between CEOs and ordinary workers. Low unemployment masks an underlying displacement of workers by technology and cheaper foreign labor, resulting in greater economic uncertainty and shakier retirement incomes.

This lack of direction is reflected in growing demands that “something be done,” but with a conspicuous absence of anything substantive, other than the stale prescriptions of the past.

### **Is There a “Just Third Way”?**

Media pundits continue to mention a “Third Way,” but none of them seems to know quite what it is. People on the left who are positive toward the idea present it as socialism with a capitalist whitewash; people on the right present it as capitalism with a socialist veneer.

Many skeptics, correctly in our opinion, view the “muddled middle” formula for the “Third Way” (such as the version espoused by Tony Blair and Bill Clinton) as an attempt to give moral legitimacy to the Wall Street capitalist approach to economic globalization. This formula attempts to blend political democracy with economic plutocracy, an inherently unstable mix. The *Washington Post* on August 30, 1998 editorialized that “there is in fact no third way.”

In contrast to the intellectual fuzziness now pervading high policy circles, this paper asserts that no so-called “third way” is a true third way or a “Just Third Way” if it:

- Does not economically empower the people,
- Keeps economic and social power, especially over advanced technologies, concentrated in the hands of an elite,
- Keeps most people in a status of servile dependency on the state or other people,
- Lacks a coherent theory and principles of economic justice to guide policy makers,
- Lacks a structured system for closing the gap between the rich and the poor within the evolving global marketplace,
- Ignores the central role of such “social tools” as money, capital credit and central banking in determining how all people can acquire access to assets and economic power in the future, and
- Remains trapped by inherently bankrupt Social Security and other income redistribution schemes, instead of encouraging asset-backed systems to link future consumption incomes with future wealth production.

There is, however, a “Just Third Way” that goes beyond the traditional answers supplied by the right and left. It offers a new vision and alternative model for development for countries of the world in which they can succeed to their fullest potential within the framework of a global marketplace.

### **The Just Third Way**

Let’s examine more closely the *Washington Post’s* statement that no third way exists. On the one hand there is capitalism, an economic system governed by market forces but where economic power is concentrated in the hands of a few who own and control productive capital. An illustration of this system is Bill Gates, who without any extra effort, went from \$16 billion to over \$40 billion — a greater accumulation of assets than those of 50% of the American people combined. Most workers-for-hire have great difficulty meeting their consumer debt, let alone accumulating any income-producing assets. Indeed, “capital breeds capital,” but only for those who own most of it.

On the other hand, socialism, in all its forms, is an economic system governed centrally by a political

elite that enjoys even more highly concentrated ownership and economic power. And in practice, socialism doesn't work. The world is full of examples of traditionally state-dominated economies that cannot meet their massive foreign debt obligations or compete effectively in the emerging global marketplace.

Logically, a "just third way" would be a truly free and open market system that economically empowers all individuals and families through direct and effective ownership of the means of production.

From the standpoint of moral philosophy, this new paradigm views as a virtue healthy self-interest (i.e., where individual good is directed toward, or in harmony with, the common good). It views greed and envy, on the other hand, as vices, both destructive of a moral and just society. In contrast to capitalism which institutionalizes greed, or socialism which institutionalizes envy (in the form of coerced leveling and artificial barriers to creative initiatives), the "Just Third Way" institutionalizes justice, tapping on the full creative potential of every human being.

The matrix below compares the defining characteristics of capitalism, socialism and the Just Third Way:

<p align="center"><b>A QUICK COMPARISON OF CAPITALISM, SOCIALISM AND THE "JUST THIRD WAY"</b></p> <p align="center">Center for Economic and Social Justice, © April 2000 (updated)</p>		
Capitalism	Socialism	"Just Third Way"
/ Political power accessible to all; economic power concentrated in a wealthy elite	/ Economic and political power concentrated in a governing elite	/ Both economic and political power are accessible to all
/ Capital ownership concentrated in a wealthy elite	/ Capital ownership concentrated in a collective controlled by a bureaucratic elite	/ Capital ownership is systematically deconcentrated and made accessible to every person
/ Capital incomes beyond consumption capacity for a wealthy elite	/ Adequate and secure incomes from capital for a governing elite	/ Adequate and secure capital incomes accessible to every person
/ Individualistic, atomistic system (ignores or trivializes common good)	/ Collectivist system (denies economic freedom and independence of individual)	/ System based on sovereignty of every person within institutions embodying principles of social justice
/ Institutionalizes greed	/ Institutionalizes envy	/ Institutionalizes justice
/ Materialistic ideology and system which ignores the growing income insecurity of non-owning workers facing displacement by technology or lower-paid workers	/ Materialistic ideology and system based on and fostering the absolute dependency of all citizens on the state for their income security and well-being	/ Moral philosophy and economic system based on the inherent dignity and sovereignty of each person; which fosters the inalienable right of every person to be a worker and an owner within a society where spiritual values and the respect for all creation transcend material values
/ Labor-centric, classical laissez-faire economic system (ultimately recognizes that only one factor--labor--produces wealth and creates economic value)	/ Labor-centric Marxist and Keynesian systems (only one factor--labor--produces wealth and creates economic value)	/ Kelsonian binary economic system (two interdependent and distinct factors-- people/labor and "things"/capital-- produce wealth and create economic value)
/ Win-lose, zero-sum, scarcity, "dog-eat-dog" orientation	/ Lose-lose, zero-sum, scarcity, forced-leveling orientation	/ Win-win, synergistic, post-scarcity (improving systems and technology to do more with less) orientation
/ Sacrifices justice for efficiency	/ Sacrifices efficiency for collectivist "justice"	/ Justice and efficiency go hand-in-hand
/ Wage system (jobs for the many, capital ownership for the few)	/ Wage system (jobs for all, capital ownership for none)	/ Ownership system (every worker/person a capital owner)
/ Equality of opportunity to work; inequality of opportunity to own	/ Forced duty to work and forced equality of results as determined by governing elite	/ Equality of opportunity to work; equality of opportunity to own
/ Protects private property rights of the few who own productive wealth, and monopolizes access to future ownership opportunities	/ Truncates or eliminates rights of private property, putting control over means of production in hands of political elite	/ Universalizes right to private property and protects rights of property (to extent others are not harmed)

/ "Hands-off" role of the state regarding monopolization of ownership and control; state ends up redistributing wealth and incomes	/ Economic power is totally centralized in or regulated by the state; state redistributes incomes	/ Economic power of the state is limited (e.g., preventing abuses and monopolies, and dismantling barriers to universal participation in capital ownership)
/ Prices and wages protected from global competition; promotes mercantilism	/ Prices and wages controlled by government	/ Prices, wages and profits set by free and open markets with profits spread among many owners
/ Capital credit available to a few; consumer credit available to the many	/ All credit controlled by state	/ Access to capital credit universalized and allocated by local financial institutions
/ Past savings used to finance future ownership by few	/ Past savings used to finance future ownership by state	/ Pure credit, future savings and capital credit insurance used to finance growth linked to future ownership opportunities for all
/ Technology controlled by a private sector elite, subject to government oversight	/ Technology controlled by a non-accountable governing elite	/ Technology owned and controlled by private sector entities that are accountable to many shareholders and stakeholders
/ "Social safety net" for poor: Trickle-down incomes and social entitlements provided through government transfers of income, institutional charity and personal charity	/ "Social safety net" for poor: Trickle-down incomes and social entitlements provided through state monopolies, forced redistribution of wealth and income by government	/ "Social safety net" for poor: Connects poor individuals and families to growth dividends, supplemented by personal charity, institutional charity, and government transfers
/ Indifferent to environmental degradation; economically powerless become victims of development and environmental hazards; the well-being of future generations is sacrificed for short-term profits	/ Economic inefficiencies lead to inability to finance the most advanced and environmentally sustainable technology; economically powerless become victims of development and environmental hazards	/ Anticipatory approach to sustainable growth and development; aims to internalize externalities, assigning environmental costs to polluters and passing costs on to consumers; offers means of financing most advanced "green" technologies while economically empowering people to protect themselves against environmental hazards; plans for future generations
/ Purpose of education is to train people to get jobs	/ Purpose of education is to train people to get jobs	/ Purpose of education is to teach people how to become life-long learners and virtuous human beings, with the capacity to adapt to change, to become masters of technology and builders of civilization through their "leisure work", and to pursue the highest spiritual values.

A mistake made by many academics and economists today is to equate democracy and the market system with the top-down, Wall Street capitalist model, with its growing gap of wealth and power between the rich and the poor. That there is excessive corruption under capitalism and socialism, even where governments are democratically elected, should come as no surprise. Lord Acton warned us years ago about the inherent corruptibility of systems that concentrate power. And without a workable market-based version of economic democracy, extending the political ballot to a majority of propertyless poor people in a developing economy is a recipe for political upheaval, as India learned in its recent election.

Capitalist theorists like Milton Friedman pay no attention to concentrated ownership of labor-displacing technology. Marxist theorists do, but conclude that the state should own and regulate all means of production. Keynesians offer a feeble synthesis between these two models of development based on the premise that maldistribution of ownership is acceptable, perhaps even necessary.<sup>[17]</sup> The "Third Way" model of the muddled middle follows the Keynesian model.

As recognized by William Greider in chapter 18 of *One World, Ready or Not*, Louis O. Kelso fathered a comprehensive systems approach to solving the structural problems faced by Russia, Indonesia and many other economies that have become dependent on those who today control money and credit.

Kelso's revolutionary insights helped him to solve an economic enigma: How Say's Law of Markets — rejected both by Marx and Keynes — could achieve sustainable and balanced growth in a modern global economy. His legal background enabled him to see how the structuring of basic laws and institutions creates a system that either concentrates or decentralizes ownership and economic power, that encourages participation by all or creates barriers to participation. Blended with the keen insights of Buckminster Fuller's design science revolution in physical technologies, Kelso, a master architect of social technologies, provided the comprehensive institutional framework and practical financial tools, like the ESOP, for lifting



### **Lessons from the First American Revolution**

The connection between widespread distribution of property and political democracy was evident to America's founders. This understanding was reflected in the 1776 *Virginia Declaration of Rights*, the forerunner of America's *Declaration of Independence* and *Bill of Rights*. Following John Locke's triad of fundamental and inalienable rights, the *Virginia Declaration of Rights* declared that securing "Life, Liberty, with the means of acquiring and possessing Property" is the highest purpose for which any just government is formed.

With the abolition of slavery and feudalism, the United States insured that no American would ever again become the property of another. Through this and other limitations on the rights of private property, a just government transcends the weaknesses of a pure *laissez-faire* approach to ownership rights. However, by fulfilling its duty to all its citizens to lift barriers to private property in the means of production, government builds a permanent political constituency for a sustainable free market economy.

### **Looking Beyond Socialism and Capitalism**

Power exists in society whether or not particular individuals own property. If we accept Lord Acton's insight that "power tends to corrupt and absolute power corrupts absolutely," our best safeguard against the corruptibility of concentrated power is decentralized power. If Daniel Webster is also correct that "power naturally and necessarily follows property," then democratizing ownership is essential for democratizing power.

In the economic world, property performs the same power-diffusion function that the ballot does in politics. It does more. It makes the ballot-holder economically independent of those who wield political power.

Both socialism and capitalism concentrate economic power at the top. It makes little difference that under capitalism the concentration is in private hands and under socialism the concentration is in the hands of the state. Both systems are excessively materialistic in their basic principles and overall vision. Both, in their own ways, degrade the individual worker. Both bring forth economic systems that ignore and hinder the intellectual and spiritual development of every member of society.

Amalgams of the two systems, as in America's so-called "mixed economy" or the Scandinavian welfare state model, differ only in their degree of social injustice, corruption, economic inefficiency, human insecurity and alienation which permeate each level of class-divided societies. What then would be a genuine alternative economic model for moving toward a freer, more just and economically classless society?

### **Mistakes of the Left and the Right**

Most schemes being promoted by development experts keep repeating the mistakes of the past. From the academic right come proposals that assume that free markets alone will bring prosperity and justice to workers. However, the right never explains how the unrestrained forces of the market can ever match consumer production (*i.e.*, aggregate supply) with consumption incomes (*i.e.*, aggregate demand), where ownership of advanced labor-displacing technology is owned by a tiny fraction of the world's consumers, and old capital "breeds" (*i.e.*, finances) new capital in ways that create few if any new owners. Bill Gates of Microsoft, with his \$43 billion, and his fellow billionaires<sup>[18]</sup> cannot possibly spend all the consumption income earned by their productive assets. A systemic mismatch is inevitable, together with social conflicts, disorder and a growing gap between the rich and the rest of society.

From the academic left, clinging to the cobwebs of socialism, come proposals to rectify imbalances from maldistribution of capital ownership through new forms of collectivism and redistributive taxation. While generally attempting to dismiss the immutable laws of supply and demand, such proposals would ensure

systemic dependency by putting all citizens on the dole, regardless of their efforts or the demands of justice. Even the most well-meaning of these approaches would concentrate economic power and leave even fewer checks than under capitalism.

And then from the muddled middle come ideas to fight economic globalization by retreating behind defensive proposals to restore mercantilism, protectionism and economic balkanization. Others in the middle react to the dangers of globalization with "Marshall Plan" proposals to pump billions in new foreign money each year into transforming economies. They promote welfare state systems that would ensure every worker displaced by privatization a wage packet in return for his labor, while ignoring a worker's right to own and share profits from new and denationalized enterprises.

### **Beyond the Wage System ... to the Ownership System**

The object of the Just Third Way is not higher wages or the redistribution of income. The Just Third Way aims at restructuring the underlying *system*, balancing the demands of participative and distributive justice by lifting institutional barriers that have historically separated owners from non-owners.<sup>[19]</sup> This involves removing the roadblocks preventing people from participating fully in the economic process as both workers and owners. More people could then begin earning higher incomes from their own capital, as well as from their labor, creating for the ordinary citizen what Michael Lind of the New America Foundation calls a "Capital Wage," as a supplement to the "Labor Wage" and the "Welfare Wage."

The Just Third Way provides every person full access to the common good — the social means and a legal system that will encourage them to create their own new wealth and share in profits broadly and equitably. The Just Third Way offers a just free market system that economically empowers all individuals and families through the democratization of money and credit for new production. Widespread citizen access to money power produces universal access to direct ownership of income-producing capital.

Within the economic process of a market economy, widespread dispersion of capital ownership (and the powers of property) functions as the economic check against the potential for corruption and abuse by the government and by corporate and financial elites. Restoration of the full rights of property and extension of private property to every individual, serves as the basis for economic democracy, the necessary foundation for effective political democracy.

### **The Transformation of Human Work**

In striving to "make every worker an owner," the Just Third Way recognizes that by nature *every* person is a worker. Under the wage system framework, the concept of "work" has been stripped of much of its dignity, consigned only to that portion of human endeavor dealing with "making a living." In its larger context, however, work involves physical, mental, entrepreneurial and spiritual forms of human activity, from manual labor to meditation.

Within the paradigm of the Just Third Way, the highest form of work is not economic labor, but unpaid "leisure work" — the work of building a civilization, work that no machine can perform.

Throughout history, creative work has mainly been engaged in by individuals with independent incomes, those who were supported by a patron or by someone else's labor. The Just Third Way provides a means whereby more people can engage in "leisure work" and be supported by an independent capital income produced by their own "technology slaves."

### **The Homestead Act: A Historical Precedent**

In the 1860s, Abraham Lincoln's Homestead Act turned thousands of people into owners of frontier land, the single most valuable productive asset at the time, by giving them the opportunity to earn ownership of one hundred and sixty acres. The land itself wasn't just given away. Each homesteader had to develop the

Since ever-improving technology accounts for most of the newly produced wealth in the today's world, limiting everyone to ownership opportunities in the land and natural resources would merely result in a growing population dividing up a static amount of wealth into ever smaller pieces, ensuring poverty for themselves and their descendants. There are, however, social technologies that can be used to democratize individual ownership of a type of wealth — new tools of production being added to the world's expanding technological frontier — that has no limits save human creativity and ingenuity.

#### **One New Social Tool: The Employee Stock Ownership Plan**

One modern financial technology to enable the acquisition of companies by their employees is known as the Employee Stock Ownership Plan (ESOP). The ESOP has been enacted into over twenty US laws and is being used by over 10,000 companies in the United States, and increasingly in the United Kingdom and a growing number of other countries.

What makes it different from other ways for workers to purchase ownership shares is that the ESOP is a credit democratization vehicle designed specifically to attract capital credit to enable many workers with little or no assets to gain significant ownership opportunities, and to pay for their shares from corporate profits, not reduced take-home income. [\[20\]](#)

#### **The Capital Homestead Program: A National Plan for Growth through Economic Democracy**

The ESOP was designed by Kelso for workers in the corporate sector as a first step toward a capital homesteading plan for all citizens. For America's domestic and foreign economic policies to work for the greatest number of people, such policies have to build a universal political constituency for free enterprise growth. A Capital Homestead Program [\[21\]](#) promotes such a broadened constituency by applying principles of justice at both the macro- and micro-economic levels.

Components of a national Capital Homesteading plan are interdependent, supporting the total program like the legs of a tripod:

- Conforming national monetary policy to supply-side economic goals,
- Simplifying the national tax system, and
- Linking tax and monetary reforms to the goal of expanded capital ownership.

*Reforming national monetary policy to conform to supply-side economic goals.*

Central banks were invented to create money. Speaking somewhat flippantly, the economist Paul Samuelson calls central banks “legal counterfeiters.” They can create good money linked to productive growth or bad money with no asset backing. Only the latter is inflationary.

Through Capital Homesteading reforms economic growth would be freed from the slavery of past savings (old money), while creating a domestic source of new interest-free money and expanded bank credit to finance new capital repayable out of "future savings." [\[22\]](#) A two-tiered interest policy by the central bank would sharply distinguish between productive and non-productive uses of credit.

Under the first tier future increase in the money supply would be linked to actual growth of the economy's productive assets, creating new owners of new capital through widespread access to low-cost capital credit repayable with future profits. Thus, the central bank would create (*i.e.*, "monetize") interest-free credit. Lenders would add their normal markup as service fees above the cost of money, establishing an *unsubsidized* minimal rate for financing technological growth. This would provide the public with a currency backed by increasingly more efficient instruments of production.

The second tier would allow substantially higher interest rates for non-productive purposes, for which "past savings" would remain available. The central bank would be restrained from future monetization of national deficits or encouraging other forms of non-productive uses of credit, causing upper-tier credit to seek out already accumulated savings at market rates.

Through capital credit insurance Capital Homesteading would also provide a rational way to deal with risk, as well as an additional check on the quality of loans being supported by the central bank. Capital Homesteading would promote private sector insurance and reinsurance pools to offset the risk that the enterprises issuing new shares on credit might fail to repay the loans. Such capital credit default insurance would substitute for "collateral" demanded by most lenders to cover the risk of non-payment, thus enabling the poor and others with few assets to overcome the collateralization barrier that excludes poor people from access to productive credit.

#### *Simplification of the national tax system.*

A just tax system would encourage accelerated rates of sustainable and life-enhancing growth in wealth-producing assets, enable all citizens to become economically self-sufficient in the process through growing "Capital Homestead" accumulations, and tax every citizen's consumption incomes above poverty levels at a rate sufficient to balance the government's budget. Each citizen could establish from the time of birth a tax-deferred Capital Homestead Account (CHA) to provide him or her a dividend income for supplementing income from other sources and to provide for his or her retirement. The tax system would also eliminate the traditional double taxation of corporate profits in ways that would maximize greater savings and investments in new plant and equipment, and would remove other features that discourage ownership. Such a simplified tax system would also force political candidates at all levels of government to compete on which of them could provide the best government at the lowest cost.

Taxes on property and capital improvements would be discouraged as impediments to development. Inheritance, gift and wealth taxes would be redesigned to encourage the wealthy to widely disperse large aggregates of existing wealth, rather than passing monopolistic accumulations of wealth and economic power from one generation to the next.[\[23\]](#)

#### *Linking tax and monetary reforms to the goal of expanded capital ownership.*

Once Capital Homesteading is elevated as a major objective of national economic policy, monetary and tax policy makers and all public sector economic institutions would be encouraged to upgrade their programs to maximize ownership opportunities for all citizens.[\[24\]](#)

### **Building Justice at the Workplaces of the World**

Work in most companies today follows the "scientific management" philosophy of Frederick Winslow Taylor. Writing in 1911, Taylor proposed that systemizing efficiency should be the primary focus of corporate managers. He declared:

"In the past, man was first. In the future, the system will be first."

Unfortunately, Taylor's system turned the worker into a disposable human tool, a worker-for-hire, a wage serf. As satirized in the classic movie "Modern Times," where Charlie Chaplin actually *becomes* a mere cog in the assembly line, Taylor's system dehumanized the worker and the culture of work, pitting workers against technology.

Taylor was also oblivious to another danger inherent in his system: it left ownership, control and the distribution of profits in the hands of a small elite of managers, time-study engineers and owners. His system offered once self-reliant workers higher wages in exchange for their loyalty to what many consider a modern form of feudalism.

Most companies today still operate according to Taylor's top-down vision of the workplace. However, the advent of robotics, advanced informational systems, and the globalization of production, marketing and distribution are forcing a basic shift in how we view the role of the worker and the nature of the workplace.

Because of global and technological change, companies are recognizing that their survival and success will require changes in the way they “do business.” More and more, they are seeking new, more flexible ways of rewarding and motivating their workers while controlling costs and delivering ever-higher levels of value to their customers. They are also realizing that these objectives are impeded by the adversarial nature of the surrounding economic and cultural environment, a by-product of Taylor's philosophy of work and the inherent instability of the wage system. Businesses are coming to see that what is needed is a new way of thinking.

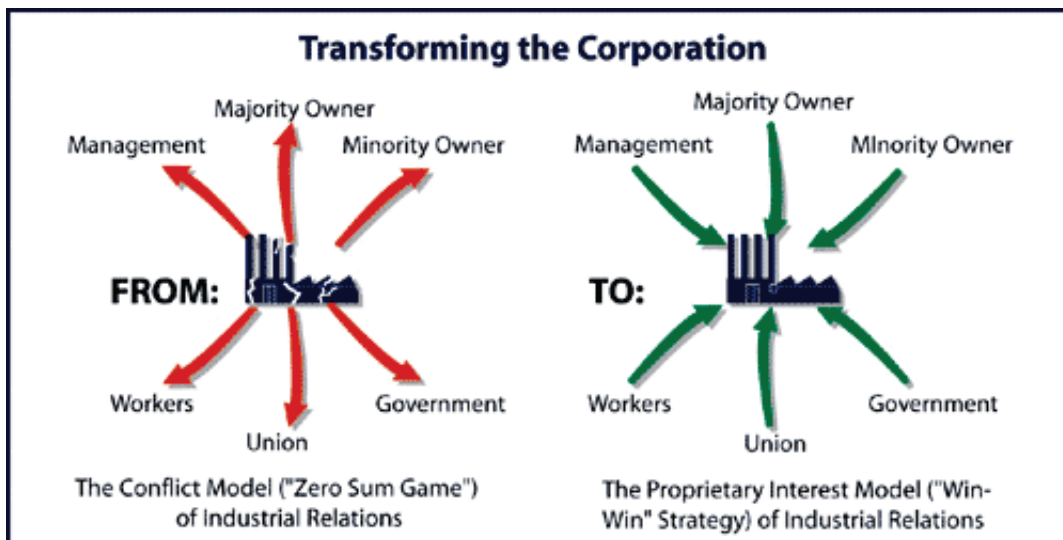
This new way of thinking would not reject the critical role of systems, but would redesign systems to put people first. It would create a new management approach that rehumanizes the workplace. It would shift power, responsibility and control over modern tools and advanced organizational systems from the few to every person affected by the process.

The new system would combine principles of equity (justice and ownership) with principles of efficiency, to raise the performance of an enterprise and its workers to their highest potential, in order to better serve their customers and other stakeholders. Instead of tapping into the wisdom, knowledge and creativity of only a few, the new system would recognize the advantages of drawing out and combining the wisdom, knowledge and creativity of every worker.

Some of the most progressive private sector firms have begun to implement successful new approaches for motivating workers, improving productivity and quality, facilitating change and maintaining continuity in their organization's culture. One comprehensive approach, developed by the Center for Economic and Social Justice (CESJ) in Arlington, Virginia, is called "Justice-Based Management" or “JBM.”<sup>[25]</sup>

**Justice-Based Management**

Where Capital Homesteading , as described above, would help create a macroeconomic environment whose laws and institutions would encourage widespread capital ownership, Justice-Based Management introduces within the workplace a microeconomic application of the Just Third Way. Justice-Based Management (JBM) is a systems approach for creating sustainable cultures of ownership within all economic enterprises and institutions.<sup>[26]</sup> JBM was developed to bring synergy where there is now conflict in productive enterprises facing global competition.



Justice-Based Management was conceived by ESOP pioneers to address the shortcomings in most employee-owned companies in America, where the rights, powers and benefits of ownership remain



concentrated in a small non-accountable elite controlling corporate and financial governance. JBM aims at substituting the conventional autocratic leadership philosophy with a servant leadership philosophy and a management system organized in accordance with the free market logic of binary economics and the universal principles of economic and social justice.



The ultimate purpose of JBM is to empower each person economically as a worker and as an owner, and to inspire all workers to work together to serve and maximize value to their customers. JBM embodies two precepts of equity: (1) that people are entitled to a proportionate share of what they helped to produce, both with their labor and their productive assets; and (2) that all people are entitled to live in a culture that offers them equality of dignity and opportunity, with equal access to the means of acquiring property and power to secure their fundamental rights.

**Components of JBM**

Justice-Based Management marries the quality, educational and participation aspects of Total Quality Management and Open Book Management, with the equity and ownership concepts underlying employee stock ownership plans (ESOPs). JBM provides a system of participatory structures and processes<sup>[27]</sup> for diffusing power down to the level of each person in the company. JBM also offers workers an opportunity to participate as first-class shareholders in the company's governance, equity growth, and in monthly and annual profits on a profit center basis.

A JBM system typically incorporates an employee stock ownership plan (ESOP), individual and team performance feedback (i.e. frequent and formula-based cash profit sharing), ownership education and sharing of financial information, and structured participatory management (including the right to vote one's shares to elect representatives to the company's board of directors). JBM also reinforces within ongoing information, communications and education programs, a broad understanding by all employee-shareholders of the interdependency among every person, department, and profit center in serving the customer and competing in the marketplace.

Experience has shown that within a true culture of ownership, workers become empowered to make better decisions, discipline their own behavior, and work together more effectively as a team.<sup>[28]</sup> Because each person contributes, risks and shares as an owner, as well as a worker, JBM helps unite everyone's self interest around the company's bottom-line and shared vision and values. As such democratically owned and organized enterprises begin to multiply (encouraged by an institutional environment that universalizes access to credit for capital ownership), a more free and just market system can take root and thrive.<sup>[29]</sup>

**Fighting Global Terrorism: Other Creative Applications of the Just Third Way**



The war on terrorism is one that cannot be won by military might alone. If the Just Third Way model makes sense for promoting democracy and human rights in Saudi Arabia, why not in other trouble spots in the Middle East like Iraq (already mentioned previously) and the so-called “cancer” of all Middle East problems, the conflict over holy land between Israelis and Palestinians.

It has become tragically evident from the swelling ranks of suicide bombers willing to sacrifice their own lives and those of innocent victims, that the war against global terrorism must be waged on the level of ideas. The old paradigms of capitalism and socialism are proving woefully inadequate for offering a future of hope and prosperity to many in the developing world. The Just Third Way, however, offers policymakers and development experts a practical as well as moral framework for solving some of the world’s most challenging problems, and reaching the hearts, minds and stomachs of people who now feel excluded and powerless.

Here’s a Just Third Way option that could be launched if the present two-state negotiations between Palestinians and Israelis break down, starting on the West Bank, Gaza and parts of Jerusalem, and later, by consent of their citizens, embracing Israel and other neighboring states:

#### **The Abraham Federation: Solving the Israeli-Palestinian Conflict [\[30\]](#)**

The initial rush to recognize a “Palestinian State” by the US State Department and many European leaders, though well-intentioned, is, in my opinion, unlikely to achieve a lasting peace through justice for Palestinians, Israelis and other persons living in the disputed territories. Who wants to be a non-Jew in a “Jewish state,” a non-Muslim in an “Islamic state,” a non-Christian in a “Christian state” — or, for that matter, a Jew in a “Palestinian state”? What is needed now is a much bolder vision to stop terrorism and bring all parties into a new framework — beyond the exclusionary two-state formula — to begin negotiating beyond zero-sum politics.

Over perhaps a decade of peace and reconciliation, justice-oriented Israelis and Palestinian leaders, supported by an international police force, could establish a new model nation-state based on a radically new “inclusionary” process of nation building, where economic justice would become the basis of social and political justice in the daily lives of each citizen. It would offer a modern fulfillment of the biblical concept of “Jubilee”[\[31\]](#), but instead of redistributing land, a finite resource, the new nation would redistribute future opportunities for every citizen to become an owner of land and whatever can be built upon the land.

Under an “economic bill of rights” every citizen would gain equal access to future ownership opportunities, guaranteeing a level playing field in citizen participation as property owners in future economic growth and profit sharing. By decentralizing access to economic power and economic independence through Capital Homesteading policies and a federation central bank, citizens would control government, not vice versa. Everyone’s faith, spiritual life and political beliefs would then be respected and guaranteed by the rule of law. National “sovereignty” would be built from the ground-up, based on securing the inherent sovereignty of every individual and the sanctity of the family unit. With “ownership-sharing” economics surpassing politics in the daily lives of its citizens, economic power would be widely diffused and the power of the state would be subordinated to the power of the people.[\[32\]](#)

#### **Pursuing Justice, Not Utopia**

Mankind will never achieve a “perfect” economic system where all drudgery is eliminated and everyone is free to do the work they prefer. However, before the opportunity passes, it becomes imperative for all economies of the world to implement effective programs of expanded ownership of productive assets. The alternative is a pendulum swing between capitalism and socialism, where any period of stability merely serves as preparation for the next violent overthrow.

Many aspects of the Just Third Way will be determined by reforming tax and banking laws that affect the process of democratizing productive credit. How this democratization is brought about — the timing, priorities and procedures — are social issues best discussed in an open and democratic fashion by people aspiring to build a free and just future for themselves.

We have reached a rare moment in history. Having discarded the failed systems of socialism and

communism, many nations are now struggling to protect their citizens against the loss of economic sovereignty under the Wall Street capitalist model of economic globalization. Before the pendulum swings back to socialism, all nations of the world have a chance to implement for their citizens a new and bloodless economic revolution. This positive global revolution would be consistent with the unrealized ownership vision and ideals of America's founding fathers and the ancient principles of justice expressed in Islam, Christianity and Judaism. It could enlist the poor of the world to help win the war against global terrorism.

As they search for a better life, the citizens of developing and transforming economies — as well as those living in the developed countries themselves — need something better than the outmoded and dehumanizing systems of traditional socialism and capitalism. Nations now have the power to create new property for the poor, without taking existing property from the rich. Leaders who believe in Peace through Justice now have in their hands a new model for economic globalization, a true and just third way forward.

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[1] R. Buckminster Fuller, *Utopia or Oblivion: The Prospects for Humanity*, Bantam Books, 1969.

[2] Compare plan for free shares for citizens in Iraq's oil industry in *Capital Homesteading for Every Citizen*, by Norman Kurland, Dawn Brohawn, and Michael Greaney, Economic Justice Media, Washington, D.C., 2004, pp. 209-211.

[3] This natural law right "to acquire and possess property" was one of the God-given rights that George Mason, father of the American Bill of Rights, wrote into section I of the Virginia Declaration of Rights prior to the signing of the Declaration of Independence. The Massachusetts Bill of Rights guaranteed the right of access to property. America's founders all agreed that power follows property and that widespread distribution of property was the ultimate check on the potential abuse of centralized government power.

[4] Louis O. Kelso and Mortimer J. Adler, *The Capitalist Manifesto*, Random House, 1958, p. 66.

[5] Chapter III of "Introduction to Social Justice" by Rev. William J. Ferree, S.M., Ph.D., Paulist Press, 1948, republished with foreword by Norman G. Kurland, J.D., Center for Economic and Social Justice and Social Justice Review, 1997, p.24. Free download at <http://www.cesj.org/thirdway/socialjustice/introsocialjustice.pdf>

[6] *Ibid.*, pp.24-25.

[7] Kelso and Adler, *op. cit.* footnote 1.

[8] Louis O. Kelso and Patricia Hetter, *Two-Factor Theory: The Economics of Reality*, Random House, 1967; Robert Ashford and Rodney Shakespeare, *Binary Economics: The New Paradigm*, University Press of America, 1999; and Norman Kurland, "A New Look at Money and Credit: The Kelsonian Binary Model for Achieving Rapid Growth Without Inflation," *Journal of Socio-Economics*, December 2001, pp. 495-215.

[9] John W. Kendrick, "Productivity Trends and Recent Slowdown: Historical Perspective, Causal Factors, and Policy Options," *Contemporary Economic Problems*, 1979, American Enterprise Institute; also R. M. Solow, in K. J. Arrow, S. Karlin, and P. Suppes, eds., *Mathematical Methods in the Social Sciences*, 1959, pp. 89-104, Stanford University Press, 1960. Also: Edward Denison, "Accounting for United States Economic Growth: 1929-69," Washington, DC: Brookings Institution, 1974, and *Accounting for Slower Economic Growth: The United States in the 1970s*, Washington, DC: Brookings Institution, 1979.

[10] Louis O. Kelso "Karl Marx: The Almost Capitalist," *American Bar Association Journal*, March 1957.

[11] The other two errors of Marx identified by Kelso were: (1) "his adoption of the labor theory of value previously advanced by David Ricardo" and (2) "his

- [12] Louis O. Kelso and Patricia Hetter, *Two-Factor Theory: The Economics of Reality*, New York: Random House, 1967, p.54.
- [13] *Economic Report of the President*, <http://w3.access.gpo.gov/eopl/>
- [14] R. Buckminster Fuller, *Utopia or Oblivion: The Prospects for Humanity*, Bantam Books, 1969.
- [15] Frederick Merton, *The Rothschilds: A Family Portrait*, Athenium, 1962.
- [16] “Statistics on Wealth and Income Distribution,” excerpted with permission of the Shared Capitalism Institute, in *Capital Homesteading for Every Citizen*, by Norman Kurland, Dawn Brohawn, and Michael Greaney, Economic Justice Media, 2004, pp. 197-199.
- [17] John Maynard Keynes, *The Economic Consequences of the Peace*, 1923, p. 19.
- [18] *Forbes*, September 30, 2002.
- [19] The moral framework of the Just Third Way is discussed in greater detail in Chapter V of Louis Kelso and Mortimer Adler’s profound book with the misleading title, *The Capitalist Manifesto* (New York: Random House, 1958). A further refinement of the specific principles can be found in *Curing World Poverty: The New Role of Property* (1994).
- [20] A very successful ESOP can be found at Mid-South Building Supply headquartered in Springfield, Virginia. In 1985 Mid-South became the world’s first 100% bank-financed, 100% worker buyout through an ESOP. The value of Mid-South’s shares has risen from \$1,033 at the time of the buyout, to \$4,638 in 2003, a growth of 349%.
- [21] For a comprehensive blueprint of monetary, tax and other macroeconomic reforms for transforming any economy to one that conforms to the Just Third Way, see Norman Kurland, Dawn Brohawn, and Michael Greaney, *Capital Homesteading for Every Citizen*, Economic Justice Media, 2004. For a Just Third Way strategy of tax reform, see “*Beyond ESOP: Steps Toward Tax Justice*” in *Curing World Poverty: The New Role of Property* (1994) and other publications of the Center for Economic and Social Justice, Washington, DC.
- [22] *Ibid.*, pp. 1-10, 43-64.
- [23] For more specific details on tax reform, see chapter 8 of the book, *Capital Homesteading for Every Citizen*, pp. 65-80.
- [24] *Ibid.*, pp. 28-32, 81-84.
- [25] An outstanding example of Justice-Based Management can be found at Fastener Industries in Berea, Ohio (described on the web site of the Canada-based Global Justice Movement.org at [http://www.globaljusticemovement.org/subpages\\_jbm/jbm\\_example\\_fastner.htm](http://www.globaljusticemovement.org/subpages_jbm/jbm_example_fastner.htm)). Fastener was praised by the Ohio Employee Ownership Center as “a national model for what employee ownership can achieve. It is one of the most productive and profitable companies in its industry.” Fastener was one of three companies awarded the CESJ Global Award for [Justice]-Based Management<sup>SM</sup> in 1991.
- [26] *Ibid.*, see “A New Social Contract” in *Capital Homesteading for Every Citizen*, pp. 85-92. For additional articles and case studies on Justice-Based Management, see also the site map on the web site of the Center for Economic and Social Justice (<http://www.cesj.org>).
- [27] A powerful participatory communications and planning protocol called “Team Syntegrity,” applies the managerial cybernetics of the late Dr. Stafford Beer. “Syntegration,” described on the web site [www.syntegritygroup.com](http://www.syntegritygroup.com), has been applied within corporate reorganizations and for conflict resolution.
- [28] See *Journey to an Ownership Culture: Insights from the ESOP Community*, Dawn K. Brohawn, ed., Lanham, MD: Scarecrow Press, 1997.
- [29] Two innovative applications of Justice-Based Management are being organized in both the developing as well as the developed world. In Bangladesh, the Institute of Integrated Rural Development (IIRD) is incorporating within its successful program of poverty alleviation a project to launch a worker- [mainly women-] owned garment factory. Incorporating an ESOP and the principles of JBM, the new enterprise, which will be serving U.S. and European markets, is designed to offer a viable alternative to the sweatshop model. Information on the Bangladesh JBM garment factory is available at [http://www.globaljusticemovement.org/iird/iird\\_intro.htm](http://www.globaljusticemovement.org/iird/iird_intro.htm).
- Another example of Justice-Based Management was organized by workers of Oglebay Norton Marine Services, the premier shipping company on the Great Lakes in the U.S. Having formed an “Employee Economic Empowerment Association,” the workers have hired their own professional team to help design a “Justice-Based ESOP” to buy out the marine assets from the parent company, which is now in bankruptcy. Assisting in this effort, the Ohio Employee Ownership Center awarded the workers’ association a \$25,000 grant to fund a feasibility study. The National Cooperative Bank has provided a \$100,000 matching soft loan for pre-buyout expenses and has expressed interest in financing the worker buyout. For more information, visit the web site of the Oglebay Norton Employee Economic Empowerment Association (ONEEEA) at <http://www.oneeea.org>.
- [30] Norman G. Kurland, “The Abraham Federation: A New Framework for Peace in the Middle East,” *Curing World Poverty: The New Role of Property*, ed. John H. Miller, Social Justice Review, St. Louis, 1994, chapter 12, 2004 updated version appears at <http://www.cesj.org/homestead/strategies/regional-global/abrahamfederation-nk.html>.
- [31] According to the Bible, the fiftieth year following seven seven-year periods was the “Year of Jubilee”, or Sabbatical year, to be celebrated by the freeing of Hebrew slaves, the remission of debts and the restoration of ancestral property to its original owners. *Encyclopædia Britannica*
- [32] This would institutionalize the main purposes of a just government as expressed by George Mason, the father of the American Bill of Rights, who also authored the Virginia Declaration of Rights. The latter declared that “all men are by nature equally free and independent and have certain inherent rights . . . namely, the enjoyment of life and liberty, with the means of acquiring and possessing property, and pursuing and obtaining happiness and safety.” A critical omission in Jefferson’s authorship of the Declaration of Independence was Mason’s (following John Locke) heavy emphasis on access to the ‘means of acquiring and possessing property’ as the ultimate source of personal economic sovereignty and all human rights. This omission, some suggest due to Jefferson’s moral ambiguity over slavery, can and has led every nation since the beginning of the industrial revolution away from broad-based ownership of wealth-producing assets as the source of personal self-determination and the ultimate check against the potential abuses of concentrated public and private power. The constitution of the Abraham Federation could correct this flaw.