Economic Justice Monitor

Greetings from CESJ!

With the passage of one year to the next, we tend to seek some measure of growth. Hence, the new name and appearance of the CESJ newsletter. (A member had pointed out to us that “newspaper” didn’t adequately convey CESJ’s focus or mission.) “Economic Justice Monitor” sends another message as well. We hope it will remind our members and friends around the world that we need you in reporting economic justice and expanded ownership developments in your company, community or country.

As you will see in this issue, we are very excited about a book project in which CESJ concentrated its time and resources in 1993. Curing World Poverty: The New Role of Property was our labor of love over the past year.

During this period, unfortunately, the frequency of the CESJ newsletter decreased. CESJ is a bootstrapping organization, and our ideas are bigger than our all-volunteer staff and budget. We hope that our book will help launch CESJ into higher levels of recognition, success and activity. But to do this, CESJ needs your hands, your mind, your energy, your creativity, and your financial support.

Bit by bit, we improve and grow. Thanks for your patience, faith and moral support. Along with member Ali Gurol, who sends his warmest wishes to all from Ankara, we hope 1994 will be a happy, healthy and prosperous year for “our CESJ family.”

CESJ Sows Its Message at International Conference

Our hundred business and religious leaders from thirty-four nations met in Monterrey, Mexico on October 27-29, 1993, for the Nineteenth Congress of UNIAPAC (the International Christian Union of Business Executives). Featured speakers at the conference, “A Social Market Economy at the Service of Man,” included Cardinal Roger Etchegaray, President of the Vatican’s Pontifical Commission on Justice and Peace; Michel Camdessus, Managing Director of the International Monetary Fund; and Dr. H. Onno Ruding, Vice Chairman of Citicorp and former Finance Minister of the Netherlands.

Under the generous sponsorship of Mexican businessman Lorenzo Servitje, a delegation from the Center for Economic and Social Justice (CESJ) traveled to Monterrey. CESJ’s mission was to meet with leaders in the UNIAPAC network, with the objective of cooperating on economic justice initiatives and publicizing CESJ’s forthcoming book, Curing World Poverty: The New Role of Property (to be published in January 1994 by Social Justice Review).

Members of the delegation included CESJ President Norman Kurland, and directors “Mac” Vincent M Grath (Woodbridge, VA), Fr. John Miller (editor of Social Justice Review; St. Louis, MO), and Joseph Recinos (Guatemala). CESJ members Kevin Corrigan (Senior Advisor for Corporate Communications, Chase Manhattan Bank; New York, NY) and Dr. Michael Naughton (Professor of Management and Theology at St. Thomas University; St. Paul, MN) later joined them.

Mr. Servitje, grand host of the conference, paid CESJ a special honor by personally handing prepublication copies of the book to Cardinal Etchegaray, Michel Camdessus, Onno Ruding, Michel Albert (President of UNIAPAC), and four other high-level international representatives. He urged them to give the book their serious consideration and invited their comments. (CESJ is delighted to welcome Mr. Servitje, one of the contributing authors of Curing World Poverty, as a new member.)

At the conference, Norman Kurland met briefly with Michel Camdessus and Onno Ruding, to introduce CESJ’s expanded ownership proposals. In another meeting, Kevin Corrigan discussed with Dr. Ruding the need to establish a UNIAPAC Association in the United States. (Fr. John Miller will be assisting in this initiative.) Members of the CESJ delegation met with and distributed CESJ materials to business and religious leaders from Russia, Brazil, Paraguay, Ontario and Mexico. With the assistance of the UNIAPAC staff, Fr. Miller distributed four hundred book brochures to conference participants.

Significantly, the conference statements reflected CESJ’s message. The working group on “The Market Economy and the Primacy of Man,” headed by Dr. Ruding, included Norman Kurland’s point that property ownership should be extended to all, as a means of economic empowerment and to enhance the dignity of the person in the workplace. The working group on globalization of the world economy adopted Joseph Recinos’ recommendation to enable workers to become shareholders, as a means for building justice and raising company productivity.

During the closing moments of the conference, Lorenzo Servitje was honored by the Mexican Association of UNIAPAC (USEM) with their highest award for Distinguished Service. He received a long standing ovation as he accepted the award.

CESJ’s Norman Kurland summed up the delegation’s major accomplishment: “We planted the seeds of economic justice in the minds of religious leaders and morally concerned business executives. Our book, offering practical guidance and a detailed program for transforming the world economy, was placed in the hands of people who could bring about that transformation on a national and global level.”
ESOPs in Hungary: Steady Growth but Shaky Future

Employee share ownership plans (ESOs) in Hungary continue to multiply, albeit under difficult economic and political conditions, according to CESJ members John Hoffmire and Itil Asmon.

The two were among a group of ESOP experts from the U.S. and U.K. who spoke at the Second Annual ESOP Conference of the Hungarian Share Participation Foundation (Dec. 2-3, 1993), an event which received wide media coverage. Attended by 200 people, the conference featured presentations by representatives from the over 60 Hungarian companies which have established ESOs. (20 more ESOs are now in the works). Senior executives from two acclaimed ESOP companies—Joseph Vittoria, CEO of AVIS Rent-a-Car Systems, and Charles Edmunson, Vice President of Wobble Industries—also addressed the audience.

A legislative bill (S. 1755) introduced by U.S. Senator Jeff Bingaman (D-New Mexico) on November 20th, included several provisions promoting employee stock ownership plans (ESOs) and employee ownership. The ESOP Association Bulletin (11/22/93) reports that, among other things, the legislation would permit Subchapter S corporations (which are taxed like partnerships, but have a corporation's limited liability) to sponsor ESOs. Owners of publicly traded stock would also enjoy tax-deferred "rollover" treatment when they sell their shares to an ESO. If the sponsoring corporation has a 30% or greater ESO subsequent to the ESOP transaction. Another important provision in S.1755 calls for the establishment of a national office of employee ownership.

CESJ members Joseph Recinos and Norman Kurland addressed 30 senior officials of the Inter-American Development Bank (IDB) on November 12, on a new strategy for creating integrated agribusinesses which would be owned by small farmers and farmworkers in under-developed countries. The approach is designed to overcome a major hurdle in encouraging subsistence farmers to aggregate and lease their land, in exchange for equity ownership in professionally managed agribusinesses.

In addition, farmer-shareholders would benefit from economies of scale and access to international markets as well as from the added value created through the marketing and distribution process. Joe believes that demonstrations of this approach would provide a good foundation for macroeconomic reforms, as well as for such innovations as a capital investment insurance fund. (One design that the IDB is picking up the expanded ownership message, according to Joe, is that they are now using the phrase, "Democratization of Capital.")

An official from the International Finance Corporation who listened to Joe and Norm's presentation, mentioned that he was familiar with the ESOP technology. Apparently the father of his boss at the IFC had sold his company to employees. The company turned out to be the Reflexene Company of Massachusetts, which is nationally recognized as a model participatory ESOP company.

Following the historic handshake of Israel's Yitzhak Rabin and PLO Chairman Yasar Arafat, Norman Kurland's article "A New Nation in the Middle East" (first written in 1978 following the Camp David peace accords), was reprinted in the October 1993 World Citizen News. As WCN publisher and CESJ friend Garry Davis points out, this prophetic article calls for a new economic/social/political vocabulary and an inspiring but practical vision needed to overcome the bitter divisions of the past. An updated

Continued on page 5 →
CESJ Launches Marketing Campaign on Curing World Poverty

If 1993 was the year devoted to compiling Curing World Poverty: The New Role of Property, 1994 will be the year for marketing it. CESJ’s most important communications project to date, Curing World Poverty (John H. Miller, C.S.C., S.T.D., editor) will be published in January 1994 by Social Justice Review. This 304-page collection of writings by a host of world-class scholars, practitioners, and business leaders, offers a bold and far-reaching economic vision, with solid moral principles and practical strategies for eradicating poverty in the developed and developing countries.

Presenting a serious and multi-faceted examination of the late ESO P inventor Louis Keelo’s revolutionary economic paradigm, Curing World Poverty has already begun to garner critical praise:

“[T]his book is not about ‘liberal capitalism’...[n]or is [it] socialist or M arxist. It proposes a ‘Third Way’ that focuses on how to structure a humane economic system that maximizes the participation of all people in the wealth of the economy not through the State but through individual ownership.”

Dr. Michael Naughton, professor of theology and management University of St. Thomas, St. Paul Minnesota

“[T]his is a stimulating and exciting book...which is based on market economics elevated by the injection of democratic and religious values concerning the purpose of life which has appeal to all sides of the political spectrum...[T]he program] can be introduced in a flexible, step by step manner. It is a book that deserves to be taken seriously by all concerned for the well being of humanity. It has particular immediacy for those searching for a new economic system in the former socialist countries.”

John D. Huddleston, senior official International Monetary Fund, Washington, D.C.

“[T]his book is a magnificent Opus that addresses an important aspect of our social development: the sharing of all people in the productive capital of the world...I share wholeheartedly the direction of this book.”

Dr. Johannes Stammier, Permanent Secretary The Union for Promoting Christian Social Science, Cologne, Germany

Readers will notice that Curing World Poverty, edited by a Catholic priest and theologian, is tailored to Catholic leaders and laypeople concerned with issues of peace and justice. However, as the editor also points out, this book really speaks to a universal audience. Reflecting CESJ’s ecumenical spirit, it offers a friendly challenge to people of all faiths and ideological persuasions, those who are looking for new, long-range solutions to today’s social and economic ills.

Curing World Poverty: The New Role of Property: $15.00 plus $2.50 postage and handling ($3.00 outside the U.S.). Quantity discounts available. Orders may be paid by VISA or MasterCard, or by check or money order (in U.S. funds) payable to Central Bureau, CCUA. Mail to Social Justice Review, 3835 Westminster Place, St. Louis, Missouri 63108, or call 314/371-1653 to order by phone.

How You Can Help

As CESJ commences the book marketing effort, a number of our members have already hit the ground running:

➔ Bill Schirra (Pittsburgh, PA) purchased 100 marketing brochures and three prepublication drafts of Curing World Poverty. He distributed the brochures at two conferences he attended. At a seminar on “Religion in Political Life Today” (Pittsburgh Theological Seminary, 12/1/93), Bill discussed the book project with moderator M rs. Elsie Hillman, former chairwoman of the Republican Party of Pittsburgh and wife of multimillionaire Henry Hillman. He also met with seminar speakers Fr. Richard John Neuhaus (considered to be one of America’s foremost intellectuals) and Prof. Alan Geyer of Wesley Theological Seminary (Washington, D.C.). All three reacted positively, Bill reports. Fr. Neuhaus later sent a letter promising to read the draft Bill gave him and commented: “In looking through the various [CESJ] materials, I am impressed by the way that, both substantively and rhetorically, you are making a case consonant with common sense and Catholic social teaching.”

➔ Doug Marshall in Minnesota purchased prepublication drafts of Curing World Poverty to distribute among associates. He had one copy sent to the retired President of the Land O’ Lakes Company, one of America’s largest and most successful worker-owned cooperatives.

➔ Fr. Joe McDonald (who we are happy to learn is getting back into action after a long-standing illness) ordered three copies of the book to send to his contacts at University of Dayton.

➔ Bob Woodman out in Cleveland has placed an order for 100 copies of Curing World Poverty.

We need all our members and friends to help us get Curing World Poverty into as many hands and circles as possible. Buy a good supply and send copies to associates, policymakers, scholars, religious leaders, the media, universities, libraries, etc. Buy a copy for yourself and find out what CESJ’s approach to economic justice is all about.
“Great Ideas” Series is a Hit!

CESJ is pleased to report on a new educational program we launched in November 1993 for our members and friends. Entitled “The Great Ideas,” this challenging monthly program examines the major economic and sociopolitical streams of thought which have shaped our world. The objectives of “TG I” are: 1) to sharpen our understanding of how CESJ’s ideas fit into “the big picture,” 2) to build the CESJ community, and 3) to have fun.

With facilitated small-group discussions in a congenial living room setting, “The Great Ideas” incorporates the superb audiotape series developed by Knowledge Products. These entertaining tapes, with narrators including Walter Cronkite, Charlton Heston, Louis Rukeyser, and Craig Deitschmann, discuss the pivotal concepts of western civilization within their historical, political and philosophical context.

In the coming year, the program will explore three economic world-views: capitalism, socialism, and the “third way” of participatory ownership. As we listen to the ideas of John Locke, Adam Smith, Karl Marx, John Maynard Keynes, and Louis Kelso, participants are encouraged to question and challenge from a CESJ perspective.

The 1993-1994 series will conclude with two sessions featuring CESJ’s “master teacher” Norman Kurland. We will examine Louis Kelso’s revolutionary theory of binary economics and system of economic justice—concepts which are fundamental to CESJ’s approach.

Future series will explore CESJ’s concept of Social Justice and the breakthroughs of Pius XI and William Ferree, as seen within traditional philosophy and political science. Because of the enthusiastic response from our participants, CESJ also plans to develop an educational package which can be used by others outside the Washington, D.C. area. For reservations and further information, call CESJ at: (703) 243-5155.

1993-1994 “Great Ideas” Program Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunday, November 28, 1993:</td>
<td>John Locke, The First Treatise on Government</td>
</tr>
<tr>
<td>Sunday, December 19, 1993:</td>
<td>John Locke, The Second Treatise on Government</td>
</tr>
<tr>
<td>Sunday, February 27, 1994:</td>
<td>Adam Smith, The Wealth of Nations— Part II</td>
</tr>
<tr>
<td>Sunday, April 17, 1994:</td>
<td>Adam Smith, The Wealth of Nations— Part IV</td>
</tr>
<tr>
<td>Sunday, May 22, 1994:</td>
<td>Karl Marx, Das Kapital— Part I</td>
</tr>
<tr>
<td>Sunday, June 26, 1994:</td>
<td>Karl Marx, Das Kapital— Part II</td>
</tr>
<tr>
<td>Sunday, September 25, 1994:</td>
<td>Louis Kelso, A System of Economic Justice</td>
</tr>
</tbody>
</table>

CESJ Reflections

As we enter a new year, it seems an appropriate time to hearken back to what joins us as a family, an organization, a community and a society.

Justice, we believe, is both simple and universal, perfect yet imperfectly realized.

It is one like the Circle, like the eternal Wellspring of creation and all values absolute.

Like the apex of the Triangle, Justice, we believe, is the high ground which transcends conflicts, resolves thesis and antithesis, giving way to new thesis.

Yet as our circle and triangle remain incomplete, so too is our understanding and task of securing Justice for every person.

Forever we are all enjoined:

“Justice, Justice, thou shalt pursue.”

— Dawn Kurland Brohawn
United Airlines Sale to Employees: A Model for U.S. Industry?

In what may become the “new labor deal” for America’s industrial future, employees of United Airlines Inc., the largest U.S. airline, offered $5 billion in wage and work-rule concessions, over five years, nine months, in exchange for a majority ownership stake (53%) in UAL Corp., the carrier’s parent company. Through an employee stock ownership plan (ESOP) covering 60,000 and potentially all 78,000 union and nonunion workers, the employees’ ownership stake can rise to 63 percent in the first year, depending on stock performance. As worked out by United’s unions and management, wage cuts and reduced benefits will amount to $3.5 billion, with the rest coming from productivity changes which would enable United to compete with lower-cost airlines.

Existing shareholders, according to a Washington Post report (12/17/93), would get the remaining 47% of the UAL Corp. shares, plus $88 a share in a combination of cash, preferred stock and senior debt. A new United Board of directors would be selected, with three out of twelve board members selected by employees, one each by the pilots, machinists and nonunion workers. The final deal must still be approved by United’s board of directors, a vote by its shareholders, and votes by union members.

The United employee ownership deal is being greeted with support from industry leaders, union officials, and Wall Street experts. Former Labor Secretary William Brock, viewing the United deal as a new approach for America to regain its competitive edge, commented: “If there is an example of a paradigm shift, this may be it—in terms of the way people have to approach working with each other—in board rooms, in management situations. This is true of unions in the U.S. They have to think of different ways than the old 1930s approach. . . .”

As reported earlier in the press, the Clinton Administration is taking an increasingly active role in helping to resolve labor-management disputes in the airlines industry, and appears to be supporting increased employee ownership as part of the airlines’ restructuring. Labor Secretary Robert Reich has indicated the administration’s interest in facilitating United Airlines’ discussion with its unions about such a cost-saving restructuring. Reich stated that the United sale would “serve as a very important model” for American industry, which is being faced with the choice of either cutting jobs, or joining with employees to “cut wages and share ownership and profits.”

Sociology of Finance, addressing the impact of economic rights (such as access to capital credit) on populations.

Italy’s Economy Takes a Dangerous Turn

A rnaud de Borchgrave’s one-page report in the Washington Times (10/4/93, p.A12), entitled “Eurogloom Foreshadows Social upheaval,” mentions some disturbing economic and social statistics gleaned from his discussions with European leaders during a five-week trip.

One statistic marks a particularly dangerous turning point in economic history: Italy, with the second highest public debt among European nations, has become the first industrialized country where the number of pensioners exceeds the number of workers. There is now less than one working U.S. taxpayer supporting each retired beneficiary; 20 million workers covering 21 million pensioners.

In the wake of the Social Security system, this would be equivalent to every working American paying taxes to support one or more Social Security recipients. In 1950, the number of working U.S. taxpayers supporting each retired beneficiary was 16.5; today it is around 3.2.

Japan is facing a related problem: in the face of a growing elderly population and a shrinking amount of living space, Japanese couples are opting to reduce the number of children they have. In addition, more Japanese youth are abandoning the work-till-you-drop attitude (preferring part-time work and more leisure time). Among the solutions advocated in Japan for dealing with the shrinking workforce: more robots.

Who will own—and thereby control and reap the fruits of—these robots? Clearly every nation in the world will have to rethink its future economic policy. Will it be more welfare state redistribution from the haves to the have-nots, from the workers to the retired? Or will they see the essential logic, necessity and justice of democratizing ownership of productive assets, along the lines of CESJ’s Industrial Homestead Act? (O ur thanksto member Dolf Drogefor contributing this item.)


➔ CESJ member Michele Hunt, formerly Vice President for Quality and People at the Herman Miller Company (world-renowned for its office furniture design and participatory ownership culture) has been appointed Director of the Federal Quality Institute by the Clinton Administration. As described in a Washington Post report (7/22/93, A29), this institute created in 1988, will carry out recommendations by Vice President Gore’s task force on “reinventing government,” to introduce total quality management approaches into the federal government. Our warmest congratulations and best wishes to Michele as she undertakes her challenging assignment.

➔ Within the sociology community CESJ member Dr. Kathy Friedman (Alexandria, VA) has been introducing CESJ’s ideas of widespread access to productive credit as a means of democratizing future ownership patterns. She presented “Capital Credit: The Ultimate Right of Citizenship” at the 1993 Southwestern Social Science Annual Meeting in New Orleans last March. To economists, one historian, and a sociologist, formed a panel to respond to and discuss the implications of her paper, which mentions CESJ’s Industrial Homestead Act proposal. Kathy also discussed the concepts of capital credit within a Sociology of Finance framework at the American Sociological Association’s Annual Meeting in Miami Beach last August. At the October 1993 Annual Meeting of the Southern Demographic Association, she presented “Demographic Opportunities in the Wisconsin population.”
Opening Doors

→ CESJ member Robert Brantley (Baltimore, MD) arranged a meeting in October between Norman Kurland and U.S. Representative Kweisi Mfume (D—Maryland). Rep. Mfume is Chairman of the Congressional Black Caucus and a member of the House Banking Committee.

Addressing the dangers of under-capitalization for “empowerment zones” in low-income areas, Kurland and Brantley pointed out that traditional solutions require further taxpayer dollars or increased deficit spending, with gains from tax breaks and equity growth flowing only to wealthy investors. CESJ’s central bank strategy, on the other hand, taps on a new, off-budget source of financing for businesses locating in the zones. By reviving the original discounting powers of the Federal Reserve system (granted under Sec. 13 of the Federal Reserve Act of 1913), businesses would have access to low-cost credit from local banks, channeled through vehicles that enable non-owning workers and residents of the zones to acquire productive assets.

Under CESJ’s proposal, the Fed would open its discount window to make available through member banks credit for eligible industrial, agricultural and commercial purposes. These lower-cost, non-subsidized loans, available only for productive (as opposed to consumer or government deficit) purposes, would be subject to the normal feasibility requirements of the bank’s commercial loan department. And the borrowed funds would be channeled through broadened ownership mechanisms such as ESOPs, producer coops, consumer stock ownership plans, and community investment corporations.

Rep. Mfume listened with interest, noting that H.R. 28, a current bill to reform the Federal Reserve System, now lacks any mention of the discount mechanism.

→ On November 24, 1993, CESJ President Norman Kurland gave a seminar to the Wednesday Group at the International Monetary Fund/World Bank. The seminar covered the role of the “central bank of central banks” in promoting free market policies, particularly in broadening direct ownership of productive wealth. Our thanks to member John Huddleston for arranging this session.

→ Using his personal contacts, CESJ’s Rabbi Herzel Kranz arranged a meeting on December 8 between spokesman Norman Kurland and Thomas A. Dine, the U.S. Agency for International Development’s Special Advisor to the Administrator for Europe and the New Independent States. Also present was USAID economist Sam Skogstad, Director of the Office of Economic Restructuring. The purpose of the meeting was to introduce CESJ’s expanded ownership program and outline how this could help accomplish two of USAID’s major goals of promoting democracy and economic growth.

Closing Thoughts

“[T]he dichotomy between personal liberties and property rights is a false one. Property does not have rights. People have rights. In fact, a fundamental interdependence exists between the personal right to liberty and the personal right in property. Neither could have meaning without the other.”

Justice Potter Stewart
U.S. Supreme Court, 1972