

the Economic Justice Monitor

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Scholars Offer Pro-Family Economic Empowerment Agenda

Coming together from all parts of the United States, Scholars for Social Justice (SSJ) concluded its second annual meeting in St. Louis on August 23rd by adopting a "Universal Declaration on the Sovereignty of the Human Person Under God." According to CESJ's Norm Kurland, who edited Mike Greaney's original draft of the Declaration, this document "re-affirms the founding principles of the Declaration of Independence, cleansed of America's 'original sin' of slavery, but modernized and globalized to restore economic and social sovereignty to each individual and family through broad-based capital ownership." The Declaration, which incorporates the expanded ownership principles of Louis Kelso and CESJ, underwent numerous revisions,

reflecting the contributions of many scholars.

Recognizing the deep divisions within society on the morality of abortion and other "life" issues, the Declaration seeks to eliminate the economic arguments for abortion and other practices which undermine the sanctity and inherent dignity of human life. As such, the Declaration should establish some common ground between pro-life and pro-choice advocates based on the idea of individual sovereignty advanced by America's founders.

Norm Kurland pointed out in his presentation that the U.S. economy grows incrementally by adding about \$1 trillion in new plant and equipment, rentable space and

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Building an Employee Ownership Coalition

An unprecedented leadership assembly of several major non-profit employee ownership groups took place on July 18-19 in the offices of the Foundation for Enterprise Development (FED) in McLean, Virginia. **CESJ President Norm Kurland** and **Director of Communications Dawn Brohawn** participated in this organizing event, seen as the first step in uniting and broadening the employee ownership movement.

Other organizations at the assembly included the **Foundation for Enterprise Development** (represented by former New York Lt. Governor and Congressman Stan Lundine, Executive Director; and David Binns, Associate Director); **The ESOP Association** (Don Nelson, Chair; Dee Thomas, Vice Chair; and Michael Keeling, President); the **National Center for Employee Ownership** (Corey

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CESJ Launches Web Site!

As a global organization promoting a new paradigm of economics, CESJ is pleased to report that we finally have our own site on the "World Wide Web." CESJ owes this major accomplishment to the talents and contributed services of CESJ director and graphic designer **Rowland Brohawn**, with the help of **Kemp Harshman, Dawn Brohawn** and others.

You'll find a wealth of information on CESJ's principles, "Third Way" vision, accomplishments, global network, publications, and membership programs. In addition, CESJ's web site presents practical applications of expanded capital ownership, including the Capital Homestead Act, super empowerment zones and Value-Based Management. CESJ plans to introduce interactive features and a "chat room" when our capabilities allow. So come visit our web site, and invite others to check us out.

CESJ's Web address is <http://www.cesj.org/>. Our new E-mail address is thirdway@cesj.org. We welcome your comments and suggestions. ▲

CESJ *on the* **Web**



Scholars Offer Pro-Family Economic Empowerment Agenda *Continued from page 1*

infrastructure—roughly \$4,000 annually per man, woman and child. Traditional methods for financing these capital assets create few if any new owners. By democratizing access to capital credit, a privilege available today to 10 million American workers whose companies have adopted “leveraged ESOPs,” all American families could gradually be lifted from total dependency on wages or welfare to meet their family needs.

Scholars for Social Justice was founded by **Fr. John Miller**, a CESJ board member. Philosophy professor and world-renowned Thomist scholar **Dr. Raphael Waters** of Niagara University chaired the meeting for the Scholars for Social Justice. In addition to **Norm Kurland** and **Mike Greaney** (who spoke on the moral basis for the Universal Declaration), other CESJ members from Washington, D.C. attending the SSJ conference were **Mac and Marcelle**

McGrath, and **Antonio Betancourt**, President of the World Institute for Development and Peace.

Besides all members of the CESJ delegation, other signers of the Universal Declaration include former D.C. delegate and chair of the Congressional Black Caucus **Rev. Walter Fauntroy**, **Bishop Herbert Hermes** of Brazil, **Rabbi Herzel Kranz** of Silver Spring, MD, **Dr. Norman Bailey**, former chief economist for the National Security Council, **Richard Biernacki**, former chair of the ESOP Association, social ethics professor **Rev. Dr. Edward Krause**, **Rev. Dr. John Miller**, editor of *Social Justice Review*, **Rev. Dr. Matthew Habiger** of Human Life International, **Judie Brown** of American Life League, philosophy professor **Dr. Donald DeMarco**, presidential candidate **Jean-Oscar Ngalamulume** of Congo (formerly Zaire), psychiatrists **Dr. Sam Nigro**

and **Dr. George Maloof**, Georgetown University architect emeritus **Dean Price**, **State Rep. Wyvetter Younge** (D) of East St. Louis, IL and **State Rep. Robert Marshall** (R) of Manassas, VA.

CESJ invites all its members and friends to take part in this historic endeavor, by adding your name to the growing list of supporters, and enlisting the support of other individuals and organizations.

(The full press release on the SSJ Conference will appear on CESJ’s web site: <http://www.cesj.org>. For further information, contact Dawn Brohawn at CESJ: Tel: (703) 243-5155; Fax: (703) 243-5935; E-Mail: thirdway@cesj.org. For a copy of “The Universal Declaration on the Sovereignty of the Human Person Under God” with a listing of its co-signers, please send U.S. \$3.00 to CESJ to cover copying and mailing costs. Overseas orders, please add \$1.00.) ▲

Our Core Values

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

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

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

▶ There is a hierarchy of human work: The highest form of work is perfecting the social order to elevate each person in his or her relationship to God. The lowest but most urgent form of work is for sheer personal survival.

▶ In interacting with nature to promote one’s own perfection, every person must respect the rest of creation. Each human being, a steward of nature, remains responsible for conserving natural forms of existence, each of which is interdependent and shares the same divine origin with humanity.

▶ Under the highest sovereignty of God, all sovereignty begins with the human person—not social institutions such as the State, the business corporation or the labor union.

▶ The essential means to achieve the sovereignty of the person include such inalienable human rights as the right to life, liberty, and access to productive property and free markets, equality of opportunity, and the secret ballot. These rights—including the rights of property—are not ultimate ends in themselves, but they are intermediate ends or fundamental means to enable each person to pursue Truth, Love and Justice.

▶ People create tools, shaped from the resources and energies of nature, to support the economic and social sovereignty of the person. Through private property ownership, each person can become master of the technology needed to realize his or her fullest human potential and dignity.

▶ People also create social institutions—including the State, the business corporation and the labor union—each as a highly specialized “invisible tool” designed to serve a highly specialized social function within a just social order. Institutions, as organized expressions of society’s values and goals, largely determine the quality of each person’s individual and social life. As historical creations of humanity carrying within themselves the wounds of history, institutions are continually in need of healing and perfecting.

▶ The highest responsibility of each person is to pursue absolute values and to promote economic and social justice in his or her personal life and all associations with others.

CESJ Intern Explores the "Third Way"

As part of its mission to educate a new generation of leaders, scholars and workers, CESJ offers a unique and challenging internship. This summer we had the pleasure of working with LaDawn Lewis, who came to us through Brigham Young University's Washington Seminar Program. During her two-month CESJ internship, La Dawn, who is now enrolled in Brigham Young's MBA program, delved deeply into CESJ's concepts and applications, both at the macro- and microeconomic level.

LaDawn's research focused on current "empowerment zones" for low-income areas, to assess how well they are accomplishing their objectives. She compared "trickle-down" programs of the Clinton Administration and similar ones proposed by groups such as Empower America, with CESJ's proposals for "super empowerment zones" designed to economically empower residents and workers through expanded capital ownership opportunities. As part of her assignment, LaDawn interviewed Congressional and state program officials and representatives of

community organizations dealing with empowerment programs, and drafted an initial research paper which will provide a framework for further empirical analysis. In addition, LaDawn assisted with a Value-Based Management process within a 100% employee-owned company working to improve its compensation and risk-and-reward system.

We'll miss LaDawn's enthusiastic presence and her many contributions to CESJ, but know that she'll be helping to spread the CESJ message with her professors and fellow students. ▲

Building a Employee Ownership Coalition Continued from page 1

Rosen, Executive Director; Deborah Groban Olson, Chair; and Malon Wilkus, Past Chair); the **Ohio Employee Ownership Center** at Kent State Univ. (John Logue and Dan Bell); The Employee Ownership Foundation, affiliated with The ESOP Association (Dan Bannister, Chair); the **Worker Ownership Institute**, affiliated with the United Steelworkers (Bruce Householder); and the **Massachusetts Office of Employee Involvement and Ownership** (June Sekera, Director).

One question discussed by the Employee Ownership Assembly was whether "employee ownership" alone would capture the attention of leaders, the media and the public. The more universal message, CESJ's representatives suggested, is "economic empowerment through broad-based capital ownership." As pointed out in William Greider's book, *One World, Ready or Not: The Manic Logic of Global Capitalism* (see review on page 11), today's world is faced with the problem of how most people will earn an adequate and

secure income, as businesses export jobs to lower wage markets and replace human labor with automation.

Greider's support of the Kelsonian system inspired labor attorney Deborah Groban Olson to launch a "Capital Ownership Group" ("COG") under the auspices of the NCEO. COG's research committee, to be coordinated by Professor John Logue, will examine Louis Kelso's economic theories and CESJ's proposals for

reforming Federal Reserve policy to stimulate non-inflationary private sector growth linked to expanded capital ownership.

Norm also recommended that a comprehensive strategic plan or "movement blueprint" be developed by the group; he suggested using CESJ's Capital Homestead Act as the starting point. A majority of the participants agreed with the need to develop such a plan. ▲



Participants in the first Employee Ownership Assembly. Foreground (left to right): Norm Kurland, Dawn Brohawn, June Sekera, Dee Thomas. Background (left to right): Dan Bell, Bruce Householder, Corey Rosen, Michael Keeling, Dan Bannister, Stan Lundine, Don Nelson, David Binns, Malon Wilkus. Not shown: Deborah Groban Olson, John Logue.

New Birth Project Update

What is happening with the New Birth project for Washington, D.C.?

Unfortunately, while there is a blueprint, strategy and a solid technical team in place, New Birth is still seeking a champion and a critical mass of community support.

As described in an *Economic Justice Monitor* report (Summer/Fall 1996), the New Birth proposal calls for the creation of a \$3.5 billion complex to house 12,500 prison inmates. This high tech facility would utilize sophisticated waste-to-energy technologies, and would launch several new industries to commercialize advanced technologies developed in the federal space and energy programs. The project would be financed by local commercial banks with access to the Federal Reserve discount window through mechanisms which would channel future ownership and profits of the complex and its subsidiary industries to local residents, employees and the prisoners working within new prison industries.

New Birth's waste-to-energy technology already exists; all components of the technology have been proven feasible by NASA and Jet Propulsion Lab. Everyone associated with the project still believes that the New Birth demonstration is in the interest of the nation and is critical for sustainable global development and generating new, environmentally sound sources of energy. But integrating these components into a waste-to-energy prison facility requires significant front money to do detailed engineering studies, which the New Birth team has been unable to raise.

Will there be a rebirth of New Birth? Certainly the root causes of

poverty and crime in D.C. are as virulent as ever. Under the Wall Street privatization formula, the growing prison population will continue to generate profits for prisoner warehousing firms like Corrections Corporation of America.

Whether the New Birth Project will be realized in its original concept, remains to be seen. Its design elements (including the expanded ownership features) would be equally suitable for a high tech industrial park that could become the focal point for transforming any troubled urban economy into a "Super Empowerment Zone." In the meantime, Norm Kurland, Dean Price and other members of the New Birth team are continuing to seek out possible applications in other areas of the U.S. as well as other countries. ▲

Correction: The numbers cited in New Birth Project report in *EJM* (Summer/Fall 1996, page 3) suggested that the facility would produce enough power and pure water to pay the cost of the facility in an 11-year period.

These numbers were based on estimates developed by experts (volunteering their time) at the 2-day "New Birth Pre-Planning Session" held at Georgetown University held on March 11-12, 1996. On closer scrutiny, it appears that some key numbers were misinterpreted and resulted in overly optimistic projections of profits, particularly from projected sales of pure water. Funds are being sought to provide much more accurate projections of profits from the New Birth project, including supplementary cash revenues from the sale of surplus electricity, oxygen, and the leasing of space and facilities to the prison and new industries attracted to the 1,500 acre site.

New Birth Publicity

- ▶ CESJ's work was featured in an excellent editorial by CESJ friend **Peter Hannaford**—one of America's top public relations experts, a former speech writer for Ronald Reagan, and a long-time supporter of Louis Kelso's economic vision. Peter, who serves as Managing Director of the Franklin Firm in Washington, D.C., had earlier reviewed CESJ's *Curing World Poverty* for the *California Political Review* (Spring 1995). This past November, he published a column for a California newspaper on CESJ's New Birth Project. Acknowledging the ambitious scope of the New Birth proposal and the enormous challenges it faces, Hannaford pointed out that if the New Birth Project succeeded, "the nation's capital could set an example for all the states to follow." (*For a free copy of this article from CESJ, please send a stamped self-addressed envelope.*)
- ▶ Every Tuesday from 10-11 a.m. on his Pacifica radio show (WPFW, 89.3 FM, Washington, D.C.), the Hon. Rev. Walter Fauntroy, former D.C. delegate and chair of the Congressional Black Caucus (CBC), has been plugging the New Birth Project and Capital Homesteading. He frequently mentions CESJ and our community investment corporation concept, which would create a for-profit land planning and real estate development corporation owned by community residents and workers. Walter is also trying to get the CBC to include Capital Homesteading in their agenda for America. ▲

International Developments

Uganda CESJ is Formed

CESJ director **Bruce Mazzie** reports that the **Uganda Center for Economic and Social Justice** is “off and running.” The kickoff meeting on August 15 for the chapter in Kampala brought in members of Parliament, lawyers, government representatives and economists. One of the objectives of the chapter will be to establish a CESJ hub for other CESJ chapters in Africa, particularly in Tanzania and Cameroon, where CESJ is establishing strong support for the Third Way.

Bruce, accompanied by his wife Debbie, had recently started a three-year consulting assignment in Uganda (PRESTO Project) under a USAID contract with Management Systems International (Washington, D.C.). He is now beginning to reap the harvest from seeds he had sown earlier in Uganda, where in 1990 he had helped start the “National Forum,” to promote new ideas of economic development.

One of Bruce’s objectives in Uganda will be to include the CESJ Capital Homesteading strategy in the PRESTO Project work plan. Among the steps will be a seminar in the Fall (with Norm Kurland as a key presenter) and the development of an experimental tax/enterprise zone model to test the expanded ownership approach.

Bruce had played a key role in delivering the ESOP to another area of the world—Egypt. He and other CESJ members created the laws for the first employee shareholders’ association, as part of an ESOP joint venture at the Alexandria Tire Company. ▲



Bruce Mazzie

ESOP Developments in Egypt

The National Center for Employee Ownership recently held a conference on ESOP and employee ownership in Egypt (co-sponsored with USAID and AFL-CIO). NCEO’s Executive Director **Corey Rosen** reported that the Alexandria Tire Company (whose innovative ESOP was designed by CESJ members) is expected to become profitable next year and begin repaying the loan that purchased a 25.8% equity stake for its workers. Corey mentioned that the Employee Shareholders Association (ESA) concept, for which he credits Norm Kurland, is the best employee ownership vehicle on the international scene today and improves on the U.S. trust approach to ESOP.

There are now 270 companies with ESAs, with a minimum of 10% employee ownership. 15 ESA

companies now have majority employee ownership. Corey noted that one of the problems facing ATC and other Egyptian ESA companies is that the employees don’t know or appreciate what they have. There is obviously a need for ownership and financial education, communications and information sharing—vital components of Value-Based Management. ▲

CESJ Builds Support for Third Way in Cameroon

At the invitation of the Cameroon Economic Development Corporation (CEDEC), CESJ’s Norm Kurland traveled on March 7-8, 1997 to Yaounde, Cameroon to speak before tribal, business and community leaders at a two-day conference entitled, “Economic Empowerment Through Broad-Based Capital Ownership.” CESJ friend and conference co-sponsor **Antonio**

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At two-day CEDEC conference in Cameroon (from l to r): Joseph Sab Kuete, Pius Mbu Machang, Norman Kurland, Rose Ndille, unidentified, Antonio Betancourt.

International Developments

Betancourt, President of the World Institute for Development and Peace, accompanied Norm and also spoke at the event.

As a result of Norm's presentation and meetings arranged by Antonio and **Mike Lamson** of CEDEC, several key leaders committed themselves to forming a Cameroon chapter of CESJ. **Joseph Sah Kuete** and **Mrs. Rose Ndille**, Executive President of CEDEC, pledged to work to persuade the government to adopt CESJ's proposed monetary, tax and expanded ownership reforms; the "capital credit reinsurance" proposal (as an alternative to traditional collateralization); and the Value-Based Management approach to privatization of several key state-owned enterprises. Of particular interest to the Cameroonian audience was CESJ's "Community Investment Corporation" for developing new communities in underdeveloped state-owned lands around the country. ▲

CESJ Meets with Labor Unions in France

Following their trip to Cameroon, Antonio and Norm traveled to Paris, where they met with representatives of several French unions faced with the impending privatization and sale of a major French manufacturing firm with plants located in the U.S. and Latin America. Offering an ESOP buyout alternative (which included an innovative financing approach which would be politically and economically advantageous to the selling French government), Norm and Antonio received strong labor interest in their proposal.

Most receptive to their proposals, ironically, were the French Communist unions. Unlike many

labor leaders in the American labor movement, the French unions acknowledged that they must deal with the globalization of the marketplace and the advent of technology. They also admitted that no law or government could protect the workers from this reality. With a change in the French Government to one headed by Socialist Premier Lionel Jospin, who campaigned in opposition to privatization, this effort is on hold indefinitely. ▲

CESJ Mission to Moscow

At the invitation of **Dr. Mullanur F. Ganeyev**, Duma Deputy and Chairman of the Russian Parliament Commission for Analysis of Privatization Results, CESJ President **Norman Kurland** traveled to Moscow last December.

This trip had resulted from a previous three-hour meeting at the International Law Institute (Washington, D.C.) between Norm and a high-level Russian delegation, arranged by **David Binns**, Associate Director of the Foundation for Enterprise Development. Through the initiative of CESJ's **Bruce Mazzie**, Norm's trip was sponsored by Agricultural Cooperative Development International (ACDI).

Norm's trip was coordinated by economist **Dr. Valery N. Varvorov**, Russia's leading advocate of ESOPs who heads the Economic Reform Foundation of Russia. **Dr. Vsevolod A. Marinov**, who has translated several important writings of Louis Kelso into Russian, served as Norm's interpreter.

Highlights of the Russia Trip

In a meeting of the State Duma Commission on Review of Privatization Result chaired by **Dr. Ganeyev**, Norm spoke on a panel concerned with the privatization of state-owned enterprises. Among others on the panel were **Dan Bell** of the Ohio Employee Ownership Center (which has been providing employee ownership training in Russia), and **Anatoly Drogalev**, head of the Industrial Policy Department of the Moscow City Government. Norm's presentation emphasized: 1) a ten-point plan for building a new, non-inflationary, high growth and highly participatory market economy to create ownership sharing and jobs for workers displaced by privatization, and 2) an eight-point strategy for shifting the old economy to a market system in a humane way. Such an economy would allow for sustainable and balanced growth and help to close the wealth gap between those at the top and those at the bottom of Russia's economic ladder.

Traveling to the 700-employee Tverskoj Meatpacking plant in Tver (one of the region's largest employers), Norm met with **Ivan Goncharov**, General Director of the plant. They discussed the possibilities of and roadblocks to implementing an ESOP, as well as the disposition of the 23% ownership stake in the enterprise still in the hands of the regional authority. Legally the company is still a collective with no shares allocated in the names of individual workers. However, each worker has an account valued in rubles representing the value of his equity in the enterprise earned through a weighted formula based on years of service and salary. Each

International Developments



At Academy of Labor and Social Relations (from l to r): Dr. Gennadiy Nikolaev, Norman Kurland, Dr. Nicolay Gricenko, and Dr. Valery Varvarov.

worker can vote on a one-person, one-vote basis in a general workers' council. The plant is governed by a 30-member board of directors, half elected by middle management and the other half by rank-and file workers.

Norm later gave a presentation to leaders of the Legislative Assembly of the Tver Region. One of the legislators attending was a professor at a local university who mentioned that he is teaching Louis Kelso's "Two Factor Theory" in his classes.

In a two-hour presentation at the Academy of Labor and Social Relations of the Independent Trade Unions, Norm was the main speaker before 50 labor leaders. He was introduced by **Dr. Nicolay N. Gricenko**, a Ph.D. economist who is Rector of the Academy, which has 200 professors, mostly Ph.D.'s and 4,000 students. Norm reports that at first the audience was skeptical, but warmed up as he explained the difference between CESJ's approach and traditional privatization. They were particularly receptive to CESJ's "Value-Based Management" concept and its emphasis on leaders who lead by serving and empowering others. Dr. Gricenko later signed a letter authorizing Norm to represent his

academy in seeking support for the Kelsonian approach to privatization.

Norm met with **Dr. Svyatoslav Fyodorov**, Russian Presidential candidate, Duma Deputy and Chairman of the Duma Subcommittee on the Academy of Medical Sciences in Russia. Dr. Fyodorov, who is world-renowned for his pioneering work in eye microsurgery, is a successful entrepreneur who has organized his clinics so that workers participate in management and profits (but not in ownership of shares). He leads a new centrist political party in Russia whose platform supports an economic agenda based on worker participation. Dr. Fyodorov had requested a

meeting with Norm after reading a Russian translation of the paper written by Norm Kurland and Michael Greaney, entitled "The Third Way: America's True Legacy to the New Republics."

Norm later had a two-hour meeting with officials of the Mayor's Office of the Moscow City Government, including Anatoly Drogalev (head of the Industrial Policy Department) and **Valery Salkin** (Chairman of the Moscow Bankruptcy Committee, a former Mayor of Moscow for 5 years, former Deputy Chairman of the Council of Ministers of Russia and former General Director of the Zil truck plant in Moscow).

Mr. Drogolev and Mr. Salkin invited Norm to help select three companies from the Moscow City Government portfolio as candidates for ESOP privatization along the lines of CESJ's two-pronged privatization strategy. Norm suggested that the City of Moscow use funds available for special demonstrations to allow commercial banks to extend low-cost credit to demonstration ESOP companies. He pointed out that such

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Meeting with officials of the Moscow City Government (from l to r): Valery Salkin, Dr. Valery Varvarov, Dan Bell, Norman Kurland, and Anatoly Drogalev.

International Developments *Continued from pg. 7*

a demonstration would eliminate subsidies and help generate additional taxable revenues for the City of Moscow.

Specifically, Norm won verbal commitments from various policy-makers, business and labor leaders, and scholars to hold an international conference in Moscow on the Kelso (Third Way) model of economic democracy. He also obtained letters of authorization to represent key groups (including the Russian Duma Committee on Review of Privatization Results and the Academy of Labor and Social Relations of the Independent Trade Unions) before the White House, Congress, the World Bank, IMF, and other U.S. organizations, for the purpose of promoting the Kelsonian approach in Russia's privatization and economic development initiatives.

Norm noted a general consensus among the people he spoke with that Russia's privatization program is very unpopular. Most of the enterprises that were privatized through the voucher program are nearly bankrupt and cannot survive without continuing subsidies.

Highlighting the geopolitical dangers in Russia's economy, Norm observed, "Military officers are becoming blood donors to support their families and Russian troops haven't been paid in months." Power has shifted from centralized control by state bureaucrats to centralized control by a tiny elite of top managers, the Russian mafia and Russian entrepreneurs in league with foreign sources of financing. "The rich are getting richer and the poor poorer," he commented. In light of this situation, Norm felt that there was tremendous openness among most Russians he met to CESJ's Third Way. ▲

MILESTONES AND WEATHERVANES

► Thanks to ESOP champions on Capitol Hill, there was some good news for the ESOP community following last year's all-out Congressional assault on ESOP. On August 5, 1997, President Bill Clinton signed H.R. 2014, the Taxpayer Relief Act of 1997" which contains provisions permitting a so-called "Subchapter S" corporation to establish and operate an ESOP (effective January 1, 1998), thus avoiding double taxation on corporate profits. Unlike C corporations, Subchapter S corporations will not enjoy such special ESOP tax incentives as the tax deferred rollover for sale of stock to an ESOP [IRC § 1042], the deductibility of dividends paid on ESOP stock, and the higher deduction limits for repaying loans to ESOPs. (For more information on the specific ESOP provisions contained in H.R. 2014, contact The ESOP Association, Tel. 202-293-2971; fax 293-7568; E-mail esop@the-esop-empowner.org.)

► **State Representative Wyvetter Younge** introduced into the Illinois House of Representatives a resolution calling for the Federal Reserve to democratize access to productive credit. The resolution now resides in the House Rules Committee waiting for assignment in



*Illinois State Rep.
Wyvetter Younge*

November to the Executive Committee of the Illinois House. Representative Younge, representing voters in East St. Louis and the surrounding areas in Southern Illinois, is the second-ranking Democrat in the Illinois legislature and heads up the House

Appropriations Committee. She is also a leader in the Illinois Legislative Black Caucus. Representative Younge, who won her bid this year for re-election, included in her campaign literature a 10-point "Economic Bill of Rights" calling for the "right to own property," the "right of access to capital and credit," and the "right to accumulate a minimum base of wealth."

► On May 12, The ESOP Association's Board of Directors accepted the recommendation of the task force headed by Rich Biernacki to study proposals by Louis Kelso and Norman Kurland to reform Federal Reserve policy to enable more people to gain a personal stake of income-generating assets. One of the task force's recommendations is to sponsor a high-level conference on monetary reforms to encourage employee ownership. The key to broadening the appeal and adoption of expanded ownership, CESJ's Norman Kurland believes, is access to low-cost capital credit through member banks of the Federal Reserve System. Slight enhancements of Section 13 of the Federal Reserve Act of 1913 would ensure that such loans are only available through local member banks for productive purposes and are channeled through ownership-broadening means. The Fed strategy addresses a key factor determining the growth of ESOP and expanded ownership, namely, "Where will the money come from?" ▲

NEWS FROM THE NETWORK

*We were saddened to learn of the death of **Lenora Ferree** in late June 1997. Lenora, the sister of our late CESJ co-founder Fr. William Ferree, had served for many years as her brother's confidant and assistant. To ensure that Fr. Ferree's scholarly work in Social Justice would be carried on, Lenora bequeathed a substantial portion of her estate to CESJ. We will devote her generous gift to foster further study of Fr. Ferree's and Pius XI's contributions to moral philosophy. CESJ's republication of Fr. Ferree's classic work, **Introduction to Social Justice** (which we dedicated to Lenora Ferree) is the first step in bringing his ideas to a new generation. ▲*

- **The Hon. Rev. Walter Fauntroy**, former D.C. delegate and chairman of the Congressional Black Caucus (CBC), delivered a powerful address before the Illinois Legislative Black Caucus, on April 26, 1997. Stressing the political, economic and spiritual



Rev. Walter Fauntroy

empowerment challenges facing African Americans and poor and middle-class Americans generally, Rev.

Fauntroy noted the growing anxiety over a lack of

adequate and secure income. Describing the "triple whammy" of job flight to lower wage economies, displacement by advanced technologies, and the dissolution of the Welfare State as a means for redistributing

incomes, Rev. Fauntroy offered a "21st Century solution" based on the ideas of Louis Kelso and CESJ, calling for "Capital Homesteading."

Recalling his experience as chairman of the House Banking subcommittee governing the Federal Reserve, Rev. Fauntroy proposed reforming the Fed's existing powers to ensure that newly created money and credit would be channeled through ownership expanding vehicles like ESOPs and Community Investment Corporations. In that way, new private sector growth could be financed in ways that would automatically create new owners of that future wealth, so that owners could derive dividend incomes once the capital loans were paid off. (*Copies of Rev. Fauntroy's address are available from CESJ for \$3.00 to cover copying and mailing.*)

- **Virginia Delegate Bob Marshall**, a long-time friend of ESOP and CESJ, introduced a resolution promoting employee stock ownership plans which was passed by the 1997 General Assembly and signed by Governor George Allen in early March. Senate Joint Resolution 284 calls for the Virginia Secretary of Administration and the Commonwealth Competition Council to begin a study of privatizing state agencies through ESOPs. Under the law, the Virginia Secretary of Administration and the Commonwealth Competition Council will study the current rules, procedures, policies and limitations of ESOPs in Virginia;

examine current and innovative ESOPs in other states; and determine the necessary level of state financial support for such plans.

- **Rich Biernacki**, a long-time sustaining member of CESJ and past chairman of The ESOP Association, retired in April as CEO of internationally acclaimed, 100% employee-owned Fastener Industries (Berea, Ohio). Rich had served for 32 years with Fastener, which today employs approximately 185 people at various locations. Fastener Industries, along with Avis Rent-a-Car and Allied Plywood Corporation, was awarded the Global CESJ Value-Based Management Award in 1991. In 1980, as Treasurer and board member, Rich led the employee purchase of Fastener Industries. He had served as CEO and Chairman of the Board for the past 17 years. All of us in CESJ extend to Rich our warmest appreciation for his principled leadership and unwavering support for economic and social justice over the years, and wish him the best in his next career!
- **CESJ director Dawn K. Brohawn** received a special recognition for her editing of *Journey to an Ownership Culture: Insights from the ESOP Community* at The ESOP Association's Annual Awards ceremony in Washington, D.C. on May 15, 1997. *Journey*, which was co-published in April by Scarecrow Press and The ESOP Association, is a collection on

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participatory ownership concepts, experiences and practices from leaders in the ESOP community. This book was the culmination of several years of volunteer work from members of TEA's Advisory Committee on Competitiveness, Communications, and Participation, of which Dawn is a member.

► As reported in the *Deseret News* (4/19/97) and *The Salt Lake Tribune* (April 19), veteran railroad conductor and Union Pacific Corp. shareholder **Richard Foley** presented a proposal at the UP annual shareholders meeting to implement an ESOP which would lead to 51% of the company's stock being owned by the employees. Richard Foley, a member of CESJ, said he made the proposal to eliminate the current rancor between UP's management and its employees.

With 85% of UP's stock effectively controlled by management (directly and by proxy) at the shareholders meeting, the ESOP proposal was soundly defeated. Richard reports that UP's management refused to inform shareholders about his ESOP proposal. However, 30 days following the shareholders meeting, according to Richard, the company met with union representatives and gave a presentation on "employee ownership." ▲

ESSENTIAL READING

Three publications released in 1997 should be at the top of every CESJ member's reading list. They provide different perspectives on the paradigm CESJ calls "the Third Way."



Introduction to Social Justice by

Fr. William Ferree, 1997 edition, with foreword by Norman G. Kurland, published by the Center for Economic and Social Justice, Arlington, VA.

This 1997 CESJ re-issue of Fr. William Ferree's classic work is essential and timely reading for everyone concerned with social justice. Originally published in 1948 (Paulist Press), *Introduction to Social Justice* contains a new foreword by Norman Kurland which bridges Ferree's ideas on Social Justice (based on the thinking of Pope Pius XI) with Louis Kelso and Mortimer Adler's concepts of Economic Justice.

Fr. Ferree, who helped found CESJ in 1984, died in August 1985, just as he was beginning to appreciate Kelso's ownership theories and breakthroughs in corporate finance. Ferree saw that Kelso had solved the conundrum of how propertyless workers could gain access (via capital credit) to the means of acquiring and possessing income-producing property, without redistributing the wealth or income of present owners.

Louis Kelso's "binary economics" converts Ferree's call for a "family" or "living" wage into the concept of a "living income"—whereby every person and family could derive a viable income from both their labor and their capital. And what Ferree had earlier missed in Kelso and Adler was their

specific articulation of the *principle of participative justice*. This clarified the correct—i.e., production-based—principle of distributive justice, as opposed to what most people today confuse with the need-based distributive principle under charity.

Ferree clarified Pius XI's insight that, unlike Justice in the "individual" realm (dealing with the interactions between people), Social Justice deals with the restructuring of our *institutions*, our "social" realm. Fr. Ferree shows how each of us, through "acts of Social Justice," can organize *with others* to reform defective laws and institutions so they can promote full human development and dignity.

(Available from CESJ for \$5.00 for members and \$6.50 for non-members. Add \$1.50 for U.S. postage; \$3.00 for foreign postage.)



Journey to an Ownership Culture: Insights from the ESOP Community.

Dawn K. Brohawn, editor. Published by Scarecrow Press (Lanham, MD) and The ESOP Association (Washington, D.C.), 1997. 304 pages, hard cover.

Journey to an Ownership Culture, edited by CESJ's Director of Communications Dawn Brohawn, tells of the trials and triumphs of building an ownership culture at the workplace, in the words of business leaders who have developed and maintained successful ESOP companies. This revealingly candid and detailed book, filled with practical examples from such acclaimed ESOP companies as United Airlines, Web Industries and Phelps County Bank, explains why these companies decided to build an

ESSENTIAL READING

ownership culture. It discusses the lessons they are learning, presenting the principles of thriving ownership cultures as well as what can go wrong.

For those interested in witnessing CESJ's "Value-Based Management" at work, this book is particularly illuminating. One of the most important essays in the collection, "What Can We Learn from an 'ESOP Failure'?", written by CESJ's Norman Kurland, tells the story of South Bend Lathe—the quintessential ESOP disaster story. In light of the recent Teamsters strike against United Parcel Service (ironically, one of America's largest employee-owned companies), this article highlights the need for organized labor and corporate management to abandon the conflict orientation of the wage system and adopt a new paradigm—the ownership system.

(Journey to an Ownership Culture can be ordered through CESJ for a special price of \$30.00—which is \$5.00 off the publisher's price—plus \$5.00 shipping and handling. Orders outside of U.S., please add \$10.00 S/H.)



One World, Ready or Not: The Manic Logic of Global Capitalism by William Greider, published by Simon and Schuster, 1997.

Best-selling author William Greider has meticulously laid out the case for the "Third Way." Greider, who conducted numerous interviews of corporate CEOs, managers and workers, labor leaders, economists and government officials around the world, reveals a growing crisis. Greider points to the inescapable forces bringing about the globalization of the marketplace—

changes impelled by the growth of multinational corporations, the mobility of capital to low-wage areas, and the advance of labor-displacing technology. The engine of corporate finance, deregulation of trade, and the decline of the welfare state are combining to threaten the livelihoods of workers everywhere trapped by the wage and welfare systems of every country.

One World, Ready or Not confirms what lawyer-economist Louis Kelso predicted more than thirty years ago. Greider sees the problem of "overproduction" as people having insufficient income to purchase what is produced, asking in his final chapter, "what is to be done?" Where governments and labor unions have sought to redistribute income to address this imbalance, Kelso offered a rational and morally sound alternative. By enabling people (through access to capital credit) to acquire income-producing assets (chiefly corporate equity), people can in fact earn enough income to purchase what society produces.

Greider answers his own question dramatically in Chapter 18, which he devotes to the expanded ownership paradigm, Louis Kelso's concepts, and CESJ's "Capital Homesteading" proposals. Greider describes the visionary "New Birth Project" for Washington, D.C. and its audacious proposal for financing this \$3.5 billion project through local banks with access to the discount window of the Federal Reserve System. Indeed, Chapter 18 provides one of the most succinct presentations of Kelso and CESJ's ideas that has ever been written. Greider has shown us that the old paradigms are collapsing, and the moment for Kelso's Third Way has arrived. ▲

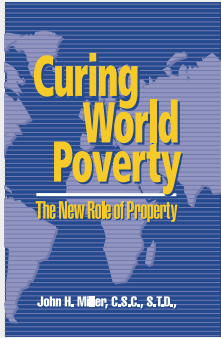
I am very pleased to see that Father William Ferree's ***Introduction to Social Justice*** has been reprinted, just under 50 years since it first appeared. There is nothing new in this pamphlet, in the sense of a discovery of basic facts about humanity^[1], but it is a very clear commentary on Pope Pius XI's teaching on the common task implied in making the common good a reality. It addresses an "unseen cultural environment" which "reflects our ultimate spiritual and moral values and defines the quality of our daily lives, even more than the tools we use or the physical structures that surround us"^[2]. What is most illuminating in the work is the clarification of the need for all to participate in the task of constructing a just society. At its best, politics has to include an explicit consideration of goodness, not only in terms of good laws and social structures, but in what is required of every citizen.

This is a timely re-issue of a work which recalls essential basic principles. Without a clear deployment of concepts of charity and justice, many highly motivated Christians can lose their bearings in the potentially treacherous waters of national and international politics, and eventually run aground. Recent initiatives of Bishops Conferences in the United States and in England and Wales—to name but two—prove how relevant this pamphlet is. I welcome such a brief and lucid reminder of fundamental social questions asked by Aristotle and many since, and answered succinctly and worthily in Pius XI's Encyclicals *Quadragesimo Anno* and *Divini Redemptoris*.

Paul Cardinal Poupard
*President, Pontifical Council
on Culture, The Vatican*

^[1] Cf. Conclusion, p.55.

^[2] From the Foreword by Norman Kurland, p.iii.



Curing World Poverty: The New Role of Property: \$12.00, CESJ members; \$15.00, non-members. Please mention member discount when ordering. Postage in U.S. and Canada: \$U.S. 2.50 per copy; other countries, \$3.00 per copy. 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. ▲

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▲ Closing Thoughts ▼

“If we as an American people . . . join together in this quest for the economic paradigm for the 21st Century—black and white together, affluent and poor together, Asian, Hispanic, Protestant, Catholic, Muslim, Jew and Gentile together—I believe that we can build the kind of coalition across this nation that will move our nation’s leaders to establish Capital Homesteading as the Economic Paradigm of the 21st Century.”

*The Hon. Rev. Walter Fauntroy,
Ten-term D.C. Delegate to the U.S. Congress and
former Chairman, House Banking Subcommittee
on Monetary Policy*

*Speech before the Illinois Legislative Black Caucus,
April 26, 1997*

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