

# CHANGING THE “US - vs -THEM” MENTALITY

BY JAMES H. DAYLEY

In spite of the unity and togetherness shown in our country over the past few months since September 11<sup>th</sup>, I’ve become quite disturbed as I’ve read and listened to the sometimes-caustic banter between people speaking for “The Poor” and those deemed to be speaking for “The Rich.” The situations seem to be heated arguments over who gets the bigger share of the government’s budget pie.

The fundamental flaw on both sides of the arguments about “proper” budget priorities is that if one side wins, the other side loses – what mathematicians call a zero sum game.

What both sides would probably agree upon would be my following economic assertion:

## **THE SYSTEM IS BROKEN AND NEEDS TO BE CHANGED!**

But what **SYSTEM** am I talking about? I define the present economic environment as a

## **WAGE-SLAVE/CLOSED-CAPITAL SYSTEM.**

What the heck is that, you ask? Well, what I’m talking about is our present, yet flawed, capitalistic system! You know, the one where the rich just keep getting richer and the poor continue to get poorer with little if any chance, seemingly, of changing the situation.

I’ve spent a number of years as a business advisor in the field of entrepreneurial funding and consulting, so let’s examine my basic premise from its closed-capital aspect. As an example of what I’m talking about, suppose that we follow a fictitious potential client of mine for a while. He’s a resourceful worker who figures out how to make a new “widget” that he feels will have a potentially large market. First, he builds a working model and it seems to do the job he thought it would. Second, he scrounges together a small amount of money from his meager savings as well as some cash from a couple of credit card advances to pay for making several prototype models. Next, he shows those models to some potential customers after he gets them to agree, in writing, that they will not steal his product. Several of them really like the product and give him some initial orders. With those orders in hand, he decides to go to the local bank he has used for many years in order to get a loan so he can quit his job and start his own business. He’s worked out a budget and a simple business plan for his presentation that he feels will put him on the way to starting a successful business operation.

Well, here’s what typically happens at an entrepreneur’s first meeting with his bank. He is greeted cordially and ushered in to see a junior executive. When our budding entrepreneur sits down in front of this person, he is asked how the bank can help him. He replies that he wants to obtain a loan so that he can start a business making a product he has developed. He states that he has some initial orders for his product with more to come if he can start to deliver them as soon as possible.

“How much do you need?” is the banker’s next question.

“About \$250,000,” is the entrepreneur’s firm and confident reply.

Now comes the kicker! “What collateral do you have to cover and guarantee a loan for that amount?” asks the banker.

Trying not to let his jaw drop too far open, our budding businessman comes face-to-face with what he had only heard about before but now confronts directly: “You can only get a loan if you can prove that you don’t need the money!”

This sort of thing happens all the time because of what various Catholic Popes have, since early on in the industrial revolution, lamented that the workers are, in fact, wage slaves with little chance to save enough money to really have sufficient capital to start an enterprise.

The following story contains some folklore but it serves as a case in point from the not too distant past:

Ken Olson, the founder of a company he decided to call Digital Equipment Company, was looking for money to get started. He had the idea that he could build a smaller version of a computer – he called it a mini-computer – that would compete with the likes of IBM’s mainframes. His efforts to get money from the banks in Boston proved fruitless. He was finally able to start what eventually became a major international enterprise with a \$50,000 investment from an already rich investor but it cost him most of the ownership of his company to do so.

So what’s the point? Providing a way for the poor to become rich! Having your own business, according to authors and Ph.D researchers Thomas J. Stanley and William D. Danko in their best selling book, *The Millionaire Next Door*, is the most common factor in gaining economic wealth. Yet despite the recent flurry of dot.com Internet nerds obtaining millions of dollars from frenzied venture capitalists not wanting to miss out on the latest “hot deal,” capital formation is a very difficult process.

But don’t despair! Help is on the way! The process of making workers the recipients of capital rewards over and above their market-rate wages as recognition for their contributions to the success of companies was conceived and developed by Louis Kelso in the late 50’s and early 60’s. His missionary-like zeal in promoting his ideas eventually came to the attention of Senator Russell Long of Louisiana. Senator Long’s tireless efforts resulted in many new laws being enacted and many old laws being changed in order to put into effect a process for enabling workers to become “stockholders” of the enterprise for which they were working. They thereby would have a chance to obtain some of that elusive commodity called capital. The basic legal mechanism through which this action could be accomplished is called an Employee Stock Ownership Plan or ESOP.

ESOP implementations slowly percolated up through the small company fringes of the nations economy via the efforts of Kelso and his associates. In recent years ESOPs have been adopted by larger and larger companies due to the tireless promotion of the basic principles of fairness and justice espoused by Kelso and the Catholic Popes before him. In the forefront of that effort have been organizations such as The National Center for Employee Ownership and The Center for Economic and Social Justice.

But wait a minute!! Didn’t the present prime target for citing what’s wrong with “The System,” ENRON CORPORATION, have an ESOP? Yes, it did! However, please don’t make the mistake of blaming the tool itself for its inappropriate use. A hammer used in a brutal murder is not at fault for what happened. Rather, it was the vile and despicable actions of the user that was the problem. So it is with ENRON.

But aren't the demonstrations by protestors at events such as the various World Trade Conferences really an expression of the "Rich – vs – Poor" phenomenon cited above? Absolutely!

I've had the opportunity to travel to most of the world, both rich and poor, and have felt deep urges to help in some way. Giving money to beggars on the streets might have provided me with some momentary good feelings, but doing so always frustrated me. I always thought of the statement, "Give a man a fish and he eats for a day. Teach a man how to fish and he eats for a lifetime."

In support of such thinking there are now over 7000 organizations around the world that are involved in efforts to implement the admonition cited above. They do so through what are called micro-loans to help the poor of the world start their own cottage businesses. The recipients, primarily women, are taught and nurtured by the lending organizations with some, but not total, success. Nevertheless, the effort is worth it because the grass roots people are being assisted and taught correct principles. It prevents them from being wards of the states that dole out food and other benefits from donations from the "so-called rich" countries. Charity is wonderful and desperately needed in genuine disaster and crisis situations. However, past such emergencies, people should – to paraphrase the Popes again – be rewarded not by their "needs" but for their individual "contributions."

What about applying Kelso's ESOP principles to the Third World? Would it work at the upper levels while the micro-loan programs work at the bottom? Yes, it would and in fact it already has in a limited way. For example, an ESOP was part of the creation of The Alexandria Tire Company in Egypt in the mid-70's and it is doing well today.

But let's get back to the challenges at home! The cry of President Bush for "JOBS" is fine, but only if the wage-slave environment can begin to change. My personal feelings are that the best environment to promote such a change in basic attitudes is in small companies. Specifically, in ones that are nurtured and mentored with dedicated capital in an atmosphere where proper and just principles prevail. Those are:

1. Doing the right things
2. Having fun in doing so, and, as always
3. Making money and capital for all the participants and doing so fairly

This is what I want to help accomplish when I grow up!

So, whether it's in this country or in the whole world, the problem of *Curing World Poverty* (The title of a book compiled and edited by Fr. John Miller) should not center around an "Us – vs – Them" fight over who gets the biggest piece of the economic pie. Rather, our mission should be to all work together to build ever-increasingly bigger pies. As a supporting compliment to the numerous admonitions from the Catholic Popes cited in the book above, I respectfully add the following verse from the scriptures of The Church of Jesus Christ of Latter-Day Saints.

"For the earth is full, and there is enough and to spare: yea, I prepared all things, and have given unto the children of men to be agents unto themselves."

(Doctrine and Covenants, Section 104, Verse 17)

**OK, SO WHAT SHOULD WE DO NEXT?**

As I stated in my Economic Essay #1 which was published in the September/October 2002 issue of ***SOCIAL JUSTICE REVIEW***, my personal feelings are that the best environment to promote change in personal and individual attitudes toward basic economic and social justice is in small companies. Most people are too tied up in their personal lives and individual challenges to consider making changes in overall society that they feel rather powerless to make, even if they knew what needs to be done. However, if the basic principles of a better way of “doing things” were made part of their individual company’s regular way of doing business, they would soon “get it” and support efforts to implement such environments elsewhere and thus create a ground swell for proper changes that our elected leaders could no longer ignore.

However, the above statement does not in any way lessen my sincere admiration for the tireless efforts to improve things in this world by Norman G. Kurland, President of The Center for Economic and Social Justice (CESJ) and his affiliated associates. As a long time protégé and associate of Louis Kelso, Mr. Kurland has been waging a tenacious campaign to promote the basic concepts espoused by Kelso and Mortimer Adler in their wonderful, but misnamed, book, ***THE CAPITALIST MANIFESTO***, as well as their later book, ***THE NEW CAPITALISTS: A PROPOSAL TO FREE ECONOMIC GROWTH FROM THE SLAVERY OF SAVINGS***. Follow-on writers, such as Robert Ashford and Rodney Shakespeare who wrote the book ***BINARY ECONOMICS: THE NEW PARADIGM*** have helped to spread the good word. Indeed, one of Mr. Kurland’s own documented proposals, first published in 1978; entitled ***THE ABRAHAM FEDERATION*** was based upon Kelsonian principles and is a profound document. While originally envisioned as a possible solution to the Israeli/Palestinian impasse, it has tremendous potential for helping to achieve a free and economically viable nation in Iraq if it were applied to the now-liberated Iraqi oil industry so that all its citizens could become its owners. (You can read the proposal on the CESJ web site at [www.cesj.org](http://www.cesj.org). The organization is based in the Washington, D.C. area).

In spite of all of the above, I feel that there needs to be an expanded and well organized “bottom-up” or “grass-roots” effort to promote genuinely economic and socially just employee-owned companies. While Mr. Kurland’s primary activities have been a dedicated promotional effort on both the national and international level, CESJ has nevertheless also recognized and called attention to quality-governed companies that use what CESJ judged to be “Justice-Based Management” in pursuit of a mission to transition from a company with a “wage slave” environment to one of “genuine employee-owners.”

Such recognized companies have, from time to time, sort of sporadically sprung up or mutated in various localities around the country in spite of efforts to accelerate the development of such companies by various groups and organizations.

Yet, in my humble opinion, **THIS PROCESS IS NOT MOVING FAST ENOUGH!!**

Thus, I’ve asked myself the following question: Couldn’t there be a national network of company-building business incubators that could promote whole new groups of quality businesses through the systematic application of;

1. Dedicated start-up capital,
2. Mentor-based goal-attainment-prior-to-further-funding techniques and,
3. Justice-based management and leadership training along with operational guidance?

I was originally involved in a business incubator over 20 years ago. Like many start-up businesses, it wasn't successful, for a variety of reasons. Nevertheless, my systems engineering training and experience just hasn't allowed me to stop thinking about the fact that if it was and still is such a good idea, how come my underdeveloped original ideas and feelings haven't been put into effect by some other organization(s)?

Well, over the ensuing years a functional model has come together as I've sought out advice from experienced and successful people in various fields of capital formation and small business development. In addition, a recent semi-sabbatical has allowed me to do a great deal of reading over a wide variety of subjects and authors that spanned the spectrum of human activities. Thus, as I've read and pondered the deep questions of what we humans have been doing in the past, what we are doing at present and what we ought to be doing in the future for the betterment of all mankind, as well as for the earth upon which we live, **I THINK I'VE FIGURED IT OUT!!!**

In short, what's involved is that a national network of individually and locally-owned business incubators needs to be created. An associated, but independent, network of early-stage venture-funders needs to work with a group of mature mentors at each business incubator to ensure that incremental goal attainment by each investee company precedes the next increment of funding. Training and mentoring at each center would include justice-based training in management (the proper actions to take with things) and leadership (the proper manner in which we should deal with people).

Further, the world is changing rapidly (see ***ONE WORLD, READY OR NOT*** by William Greider) and the allure of Low-Cost Countries (LCC's) must be addressed. In order to facilitate cooperation with LCC located companies, rather than endure destructive competition, each business incubator could develop relationships with one or more business incubators in various locations in LCC's around the world. So, instead of "sister cities" with which we are all familiar, there would be "sister business incubators." They are needed because there are over 7,000 Non-Governmental Organizations that are making micro-loans to citizens around the world. Some of the assisted entrepreneurs eventually progress from their little cottage-based businesses to real enterprises and need advanced help that regional business incubators could provide. Experience has shown that while basic educational efforts to teach people various skills are necessary for their individual lifestyle improvement, those efforts alone are usually not sufficient for genuine economic success over time.

So, what I'm proposing is to bring in a new corps of seasoned reinforcements to help out in the battle to bring economic and social justice to the world. Our efforts under the overall economic and social justice movement umbrella will be concentrated in creating an ever-expanding number of model companies that can show the proper way to create genuine peace and prosperity for all peoples.

**WHEN COULD THIS HAPPEN???**

**THE SOONER THE BETTER!!!**

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