

THE WORLD INSTITUTE FOR DEVELOPMENT AND PEACE
FOR THE COLOMBIA OF THE 21ST CENTURY
Proposal of economic justice to make each individual an owner

Executive Summary

The World Institute for Development and Peace (“WIDP”)
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and

Foundation for International Cooperation (“FCI”)
(Fundación para la Cooperación Internacional)

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The criminal economy of Colombia employs tens of thousands of people not only coca growers in rural areas and poor people across the nation, but many college and university graduates who have no hope to participate in the formal or informal economy of the nation and no hope to emigrate. They join the forces of supply side of drugs or violent groups that affect tremendously not only Colombia and neighboring countries but the United States, especially U.S. inner cities with devastating effects especially on African-Americans. The U.S. has a great stake in providing alternatives to curtail the supply side of drugs and provide alternative means of legitimate economic activities for export and trade for Colombian citizens complementing the efforts to shrink the demand side of drug trafficking within the U.S.

The World Institute for Development and Peace (“WIDP”) and the Foundation for International Cooperation (“FCI”), (Fundación para la Cooperación Internacional) are committed to helping Colombia and other Latin American countries. We will present a series of proposals to the various national governments and to economically important groups in each country. These proposals will focus on creating new corporations and reorganizing others that wish to participate in the project. The project will employ the “expanded capital ownership” model developed by Louis O. Kelso and Mortimer J. Adler, particularly as implemented through such means as the Employee Stock Ownership Plan (ESOPs, Community Investment Corporations, etc.) These institutions economically empowers ordinary people by systematically opening up access to capital credit for acquiring individual stakes of corporate equity. The proven and effective ownership-broadening techniques have been successfully employed in many countries throughout the world, including the United States of America, the United Kingdom, Argentina, Guatemala, Bolivia, Costa Rica, and Egypt.

The ESOP has been very successful in the United States of America, where it was invented. From its inception in 1956, the ESOP experienced a rapid growth after the passage of the initial enabling legislation in the early 1970s. Today there are 11,500 ESOP companies employing 8.5 million workers, with an aggregate capitalization of more than US \$400 billion. 1,000 of these companies (or 9%) are publicly traded. The rest are closely held. The ESOP owns the majority of shares in 2,500 companies, and is 100% owner in 1,500 companies. Only 5% of ESOP companies adopted their ESOP because of financial distress. 4% of ESOP companies are unionized.

This project is intended to be the starting point for radical, market-based economic change. Such change may take a long time to implement, and will require many reforms in the socio-economic and political systems of those countries seeking to satisfy the needs of their people in a realistic way that preserves the fundamental human rights of every person.

In the beginning we will focus on Colombia. The country is in worse shape, socially and economically, than it has been for seventy years. Unless action is taken soon, Colombia may erupt in a civil war. What happens in Colombia will affect not only the people of Colombia, but

the neighboring countries of Venezuela, Ecuador, Panama, Peru, and Brazil, and eventually the rest of the continent as well.

We are convinced that the expanded ownership model of Louis Kelso can help bring about real change. Our goal is to attack the criminal economy of drugs, kidnapping, violence and street delinquency, a situation generated and perpetuated by today's lack of legitimate means to engage in full economic participation, especially in the ownership of income-producing capital.

WIDP and FCI will establish alliances with private and public institutions to establish new companies and reorganize existing enterprises, using ownership-expanding methodologies such as ESOPs and community investment corporations. Our projects will be geared to generating job and ownership opportunities and will employ state-of-the-art technologies developed in the last 30 years by organizations affiliated with the WIDP. Colombia has developed some successful joint ventures between the public and the private sectors. This past experience will be valuable in the implementation of the proposed projects.

Advantages of using the expanded ownership model include, but are not limited to:

- Decreases in unemployment, delinquency, and crime,
- Establishing genuine equal opportunity by emphasizing the equal opportunity for ordinary people to become either full or part owners of the businesses which employ them,
- Opening up democratic access to capital (productive) credit, providing an automatic “preferential option for the poor” and for those who currently own little or nothing in the way of income-generating assets,
- Democratizing access to the ownership of new technologies,
- Stimulating training in and involvement with entrepreneurship throughout society,
- Improving administrative efficiency and effectiveness,
- Increasing worker responsibility and commitment,
- Allowing economic development to be financed without the need for external or foreign investors,
- Avoiding the twin evils of inflation and deflation,
- When combined with a program of capital credit insurance and reinsurance corporations, reducing and spreading risks in the economic process and encouraging broader participation,
- Limiting the social welfare role of the corporation by permitting workers to take more financial and social responsibility for their own lives and those of their families,
- When combined with a restoration of the rights of private property, especially in corporate equity, it promotes the establishment and growth of genuine workplace democracy by encouraging worker participation in the economic process as owners as well as providers of labor,
- Elevating the dignity and status of every worker by encouraging his participation in the economic process as an owner as well as a provider of labor,
- Allowing individuals to provide for their future income security through the acquisition of a significant ownership stake of income-generating assets,
- Boosting the self confidence of workers and other ordinary citizens by returning and securing to them control over their own lives.

Equal economic opportunity, not equal economic results, is the solution to the economic, social and political instability that afflicts so many countries throughout Latin America. We advocate the redistribution of future economic opportunity, not the redistribution of existing economic goods and services.

To achieve this goal, we propose the establishment of a privately-run revolving fund for the purpose of democratizing access to capital credit. The initial financing for such a revolving fund can come from national and international loans and the sale of bonds to the central bank and others. The U.S. could be a strategic partner in Colombia's transformation under the new Bush administration by adopting this proposal for a new Colombia.

The advantages of establishing such a revolving fund include, but are not limited to:

- A private sector initiative maximizes the efficiency and effectiveness of the operation,
- The loan principal will be safeguarded through the use of capital credit insurance and reinsurance; both the fund itself and the individual loans will be required to be insured,
- A model can be implemented immediately,
- It encourages the restoration of free and open markets,
- It encourages the restoration of the rights of private property, particularly in corporate equity,
- It encourages the reduction of the economic role of the state, stabilization of the currency, reduction or elimination of inflation, simplification of the national tax system, democratization of central bank credit, control over environmental damage, and the establishment and maintenance of a social safety net.

Participation of state and municipal governments can begin with the privatization of the various public services over which they now exercise a monopoly, such as utilities, telephone, roads, and sewers. A successful privatization strategy with respect to these traditionally government-run enterprises will enhance the public image of the project and encourage future success in the formation of joint stock companies that embody ESOP features.

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