CHOOSING AN EFFECTIVE AND JUST ECONOMIC FUTURE
A LEADERSHIP ROUNDTABLE

SPONSORED BY
THE GREATER SCRANTON CHAMBER OF COMMERCE
THE SCRANTON AREA FOUNDATION
AND THE UNIVERSITY OF SCRANTON

CO-MODERATORS: AUSTIN BURKE
SONDRA MYERS

PRESENTERS:

GAR ALPEROVITZ, Lionel Bauman Professor for Political Economy, University of Maryland

JOSEPH BLASI, Professor of Management and Labor Relations, Rutgers University

TED HOWARD, Executive Director of The Democracy Collaborative, University of Maryland

WEDNESDAY, OCTOBER 11, 2006
4:00 P. M. TO 6:30 P. M.

COLLEGIATE HALL AT REDINGTON
UNIVERSITY OF SCRANTON
CLAY AVENUE AT LINDEN STREET
SCRANTON, PENNSYLVANIA

PARTICIPANTS:

STEVEN ACKMANN, President
Fidelity Deposit & Discount Bank

HAROLD BAILLIE, Provost
University of Scranton

HON. MICHAEL BARRASSE, Judge
Lackawanna County Court

RICHARD BEASLEY, President
PPL Electric Utilities

SALLY BOHLIN, Chair
Art Space Initiative, Scranton

DIANE BOONE, Publisher/Editor
Melanian News

JEANNE BOVARD, Director
Scranton Area Foundation

JAMES BRADY, President and CEO
Allied Services

ROSEMARY BRODERICK, President
Scranton Tomorrow

AUSTIN J. BURKE, President and CEO
Greater Scranton Chamber of Commerce

JOSEPH COLLINS, General Manager
VAXSERVE, Inc.

PHILIP CONDRON, President
Condron & Company; Board Chair, Metro Action

ROBERT CORDARO, Commissioner
Lackawanna County

JORGE CORONEL, President
Coronel Management Group

PETER DANCHAK, President
PNC Bank

CHRISTOPHER DOHERTY, Mayor
City of Scranton

JOHN FLANAGAN, Business Manager and Financial Secretary
IBEW Local 81

JUDY GATELLI, President
Scranton City Council

KATHLEEN GRAFF, Board Member
Scranton Area Foundation

MICHAEL HANLEY, Executive Director
United Neighborhood Centers of Lackawanna County

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DR. ANN PIPINSKI, President
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ELIZABETH RANDOL, Director of Civic Engagement
University of Scranton

LETHA REINHEIMER, Board Member
Scranton Area Foundation

NATALIE SOLFANELLI, Executive Director
Lackawanna Heritage Valley Authority

JACK TIGHE, President and CEO
TMG Health, Inc.

DR. ROBERT WRIGHT, Director
Scranton Temple Residency Program

Executive Summary
Report on *Choosing an Effective and Just Economic Future,* A Roundtable
October 11, 2006

Thirty three community leaders from the Scranton area's public, private for-profit and private non-profit sectors met for a roundtable discussion on October 11, 2006 to discuss from their various perspectives *Choosing an Effective and Just Economic Future.* The leaders were briefed by three resource people, who brought to the table ideas that have proven successful in other communities in their efforts to strengthen and expand the benefits of economic development. They were Gar Alperovitz and Ted Howard of the University of Maryland and Joseph Blasi of Rutgers University.

The resource people found the assembled group to be extraordinarily well informed and highly motivated to create a strategy for economic development that would be both effective and equitable for all sectors of the community. At the end of the session there was broad agreement among the participants to work collaboratively across the public and private sectors to create and implement a community strategic plan that would focus on three areas:

1. Procurement
   a. Group procurement, starting with the non-profit sector, particularly large anchored institutions such as colleges, universities and hospitals, and ultimately moving into the for-profit sector.
   b. A "Buy Local" campaign, to ensure that a large portion of monies spent on procurement would remain in the community.
   c. Addressing the supply side as well as the demand side by encouraging local businesses to be competitive in servicing local needs, and publicizing the availability of some local products to the procuring agents of the various institutions.
2. ESOPS (Employee Stock Ownership Plans)
   a. Create an awareness campaign, particularly targeting retiring owners of small and middle size businesses, about selling businesses to their employees instead of closing them down or selling them to an outside buyer.
   b. Take advantage of a regional ESOP conference that is held in Scranton.
   c. Convene a seminar for local business people, bankers and lawyers, inviting successful ESOP companies in the region, e.g. the City of York, to present their stories, to demonstrate the value of ESOPs to individuals and communities.
   d. Develop public information, e.g. flyers and brochures that inform people about the benefits of ESOPs to individuals and to the community.
3. Investment strategies
   a. City and/or county ownership, or partnerships with developers to ensure that profits from various enterprises remain in the community.
   b. Land trusts, ensuring that low cost housing be readily available to those who need it.
   c. City and county support of low income people in getting back tax money that is owed them.

4. An economic strategy for the people at the lowest end of the economic scale needs to be integrated into the overall strategy.
5. City and county officials serving as catalyst for strategic planning and implementation and providing grants and loans when appropriate.
6. Mount an effective public relations campaign for greater Scranton area's strategy for "Choosing an Effective and Just Economic Future."

The Roundtable cosponsors, the Greater Scranton Chamber of Commerce, the University of Scranton and the Scranton Area Foundation agreed to reconvene the roundtable participants in early 2007 to discuss report and move into an implementation mode.

REV. PILARZ: It's a privilege to welcome you to the University and to thank you on behalf of our co-sponsors.

This is the kind of activity that the University is proud to host. You enrich our campus conversation by your presence among us. And your topic, *Choosing An Effective and Just Economic Future*, is an appropriate one for our University in the Catholic and Jesuit tradition.

For the past several years in particular, the Society of Jesus has defined its mission as the promotion of faith and the service of justice, so your conversation is very much mission-driven in terms of our understanding of the business that you are about and we're very happy to have the distinguished visiting scholars here on campus.

I want you to know that this is a great day for the University of Scranton, and I'm delighted to see this collaboration between the private for-profit and nonprofit sectors, government and education, working in common cause here at the University. It's the kind of opportunity that we look forward to and cherish. I want to thank Sondra and all those who worked so hard to make this a reality.

MS. MYERS: Thank you, Fr. Pilarz. I do want to welcome you all as well and thank you for coming.

Today's economic roundtable is a result of conversations that Austin and I have had over the last several years about the energy, enthusiasm and can-do spirit that has come to define this region, and the opportunity I have had to know two economists who have devoted their research and teaching to developing innovative strategies for local economic development that is based on effectiveness and economic justice.

It seems that the three sectors, public, private for-profit and private not-for-profit, are in concert in their determination to make this region more economically, civically and culturally successful, and that all three are open to ideas that might inform and enhance the already impressive efforts that we have seen in development over the past several years.

Austin Burke, President and CEO of the Greater Chamber of Commerce, has joined forces with the University of Scranton and the Scranton Area Foundation, which has graciously agreed to support the roundtable, to bring to the table leaders from all sectors to discuss the ideas that will be presented by our distinguished visitors, Gar Alperovitz and Ted Howard of the University of Maryland, and Joseph Blasi, of Rutgers University, a native son who has an international reputation for his perspectives on just and equitable economic development.

Austin, I turn to you for your opening remarks, and then we will ask all of you to introduce yourselves.

MR. BURKE: Thank you very much, Sondra. We're thrilled to have Sondra back in the community. She brings to mind that mythical character, Johnny Appleseed, who spread apple seeds all around the country and started great fruit orchards and forests.

Sondra has devoted her life to being a Johnny Appleseed of ideas. Twenty years ago, I participated in a similar forum that, as Governor Casey's representative, she put together for third class municipalities. She had leadership from all around the state there, and I still recall some of those lessons that were shared there.

Jeanne Bovard, director of the Scranton Area Foundation stepped up, as the University of Scranton did, to help make this possible. So we appreciate that as well.

We have three people with expertise and experience that will talk to us about the best practices for choosing an effective and just economic future. I'm hoping that some of the ideas and recommendations will build on the materials that you've received from Sanofi Pasteur and the Economic Summit they held last year, and their continuing work since then on best practices. We hope to take some of the those best practices and run them through the community leaders that are here, and then come up with our own recommendations as to how best to implement them in our community. I'd like to see the results of our deliberations distributed throughout the community, perhaps at the next Sanofi Pasteur economic development summit.

In yesterday's *Wall Street Journal*, our latest economic Nobel Laureate, Professor Edmund S. Phelps, was talking about dynamic capitalism and how to establish a just economy, our subject. He remarked that it takes a village--all the different organizations and sectors working together--to do that. In Scranton, we've been fortunate over the decades to have instituted some of the organizations and efforts that you'll be hearing about today. For building community wealth, we've created a number of organizations. One of the first in the country was formed in 1913 here in Scranton. It's called the Scranton Industrial Development Company. It still exists and we're still making small business loans through the SIDCO program.

In 1945, we formed SLIBCO, the Scranton Lackawanna Industrial Building Company, when we were unable to recruit private developers to develop real estate and build buildings.

We formed LIFE, the Lackawanna Industrial Fund Enterprises, in 1952. It served as a community bank. LIFE provided the seed capital for the Montage ski area. We've lost our shares in it recently, but it's been a great community investment, and over 6,000 people are working on Montage Mountain.

The city, the county and the Chamber worked together to incorporate Metro Action for downtown investments in 1975. A few years ago, Metro Action qualified as a community development financing institution, and we've since spent more than $1,600,000 in micro loans, something that will be suggested today as one useful strategy.

Lackawanna County has established a Family Business Institute, and we'll be hearing about family business formation from Joseph Blasi. The City of Scranton's Office of Economic and Community Development has assisted hundreds of city businesses in building asset-based wealth here. And, of course, the University of Scranton is a partner with our businesses in a number of exciting ways.

One thing that we would also like to explore--and Jeanne and I have discussed this--is the investment in human capital. We have a need to raise the educational level of our population, and I hope to get insights into that today. But I'm encouraged. We have the leadership of the community here. With this group, we can do <u>anything</u> in our city and in our county.

I'm looking forward to the discussion and the recommendations that will be developing through our interactions.

MS. MYERS: Thank you, Austin. Now, though many of us here know each other, we'd like our resource people to know to whom they're speaking. So please introduce yourselves by giving your name and affiliation in one or two sentences.

MS. BOONE: My name is Diane Boone. I'm publisher and CEO of *Melanian News*, a community paper focusing on minority achievement. I'm also on the boards of the Chamber of Commerce and United Neighborhood Centers.

MR. BRADY: Jim Brady. I'm the CEO of Allied Services, a health care provider; we specialize in post-acute care.

MR. DANCHAK: Pete Danchak. I work at PNC Bank, and I'm on many boards in the community.

MS. MONICELLI: Mary Ellen Monicelli. I work at Sanofi Pasteur in Swiftwater, and I'm also on the Lackawanna County Economic Development Implementation Committee.

JUDGE BARRASSE: Mike Barrasse. I'm a judge here in Lackawanna County, and head of the Treatment Courts for those that have addictions and the Child Advocacy Center.

MS. BRODERICK: Rose Broderick. I'm in the health care field. I'm affiliated with Advanced Imaging Specialists, which is an outpatient diagnostic imaging facility in Dunmore, PA, and I'm also president of the Board of Scranton Tomorrow.

MR. DOHERTY: Chris Doherty, Mayor of Scranton.

MS. GRAFF: Kathleen Graff. I'm on the Board of the Scranton Area Foundation and several other boards in the area.

MS. LAVELLE: Helen Lavelle. I'm co-founder and creative director of Lavelle-Murray Advertising, and I'm also the facilitator for the Lackawanna County Economic Development Implementation Committee.

MR. FLANAGAN: Jack Flanagan. I'm with the IBEW in Scranton.

MS. MACKAREY: I'm Paula Mackarey. I'm publisher of *Happenings* Magazine.

DR. WRIGHT: I'm Bob Wright. I am a physician and I run the Scranton Temple Residency Program.

MR. HANLEY: I'm Mike Hanley, Executive Director for the United Neighborhood Centers, a local nonprofit, and also the director of the newly formed United Community Development Corporation.

MS. GATELLI: Judy Gatelli, President of City Council.

MR. BLASI: Joseph Blasi, happy to be back home.

MR. HOWARD: I'm Ted Howard, Executive Director University of Maryland's Democracy Collaborative.

MR. CONDRON: Phil Condron from Condron & Company, Chairman of the Board of Metro Action.

DR. PIPINSKI: I'm Ann Pipinski, President of Johnson College, and I serve on a number of Boards.

MR. ACKMANN: Steve Ackmann. I'm President of Fidelity Bank, headquartered in Dunmore, PA.

MS. REINHEIMER: Letha Reinheimer. I'm a community volunteer, and I'm chairman of the Community Issues Committee of the Scranton Area Foundation.

MR. COLLINS: I'm Joe Collins, general manager of VAXSERVE. We are a wholly-owned subsidiary of Sanofi Pasteur, located in Scranton.

MS. BOVARD: I'm Jeanne Bovard, Director of the Scranton Area Foundation.

MS. PERRY: I'm Elaine Perry with Lavelle-Murray Advertising and part of the Lackawanna County Economic Development Implementation Committee.

MR. TIGHE: I'm Jack Tighe, the founder, President and CEO of TMG Health. We have operational centers here in Scranton.

MS. BOHLIN: I'm Sally Bohlin, chairman of the Art Space Scranton Initiative, which will be an artists' living and work space that we undertook as an economic development strategy.

MR. BEASLEY: I'm Rich Beasley, with PPL Electric Utilities.

MS. RANDOL: I'm Elizabeth Randol, the new Director of Civic Engagement at the University of Scranton and the President of the League of Women Voters of Lackawanna County.

MR. ALPEROVITZ: I'm Gar Alperovitz, University of Maryland Democracy Collaborative.

MS. MYERS: Gar, we're going to turn to you now.

MR. ALPEROVITZ: Ted Howard and I have been attempting to find interesting and innovative examples of communities that are developing new asset-based strategies all over the country.

I'm going to give you a website first: www.community-wealth.com. It is an extraordinary resource where you can find chapter and verse on things that people have done interestingly--literature, know-how, contact people, etc.

By way of introduction, you see a lot in the papers these days about globalization. Paul Krugman has noted that the real trend in the United States is localization, by which he means that if you look carefully at the very few studies that have been done, the amount of inter- and intra-city trade that has gone on, has gone from about 42% in 1950 to between 52% and 62% now.

That shouldn't be surprising since we've been moving from a manufacturing economy to a service economy. Only 11% of our labor force is now in manufacturing compared to 31% in the 50s. The other way of thinking about that is that cities like this one are where the action is. It is a global phenomenon. That's the first thing we need to consider.

The second, I'm expressing in an acronym, is a RAAMPSUM. And what that stands for is first, the notion of Returning to the city, which is critical. R is for return. The second letter, A–is for anchoring. What kind of jobs can be anchored that don't get up and go? There are several kinds. In most communities, people have been looking at universities and hospitals, sometimes called "eds and meds," nonprofit corporations, churches, public utilities, etc. These are inherently anchored in the community.

One of the questions is, "Can they become centerpieces, which offer much greater multiplication of their power? For instance, can they, as a group, direct their procurement locally more than they normally do?" That's one of the issues we're going to look at today because group procurement can be an enormous asset.

The second A stands for assets. Joe Blasi is going to talk about assets and how they relate to a just economy. Most people don't realize that there is currently great stagnation at the middle class level; some studies reveal that there has been no change to speak of in 30 years.

That's staggering, given the fact that the economy has gone up dramatically. According to the latest study, the top 1% in the country had just under 20% of the income in 2004. That means that 1% have had more income than the bottom 120 million people taken together!

In a just economy, we may have to deal with that but in the area of assets, “just” assets are even more concentrated in the United States. The top 1% in the US has just under 48% of all business-related assets. It's the greatest concentration of wealth in the advanced world, and it's not favorable, by anybody's perspective, for a democracy. Asset-based strategies are emerging all over the country. Some have to do with individual assets only.

IDAs are one strategy. Joe is going to talk about changing assets in the ownership of companies. There are 11,000 employee-owned companies in this country; there are more people involved in them than in our unions in the United States. It's not known. They also anchor jobs if they change assets. There are strategies that can with very little money encourage that change of assets.

Neighborhood corporations usually own housing; but in some parts of the country they own other businesses as well. There are a couple--one in New York that's doing about $300 million in business, one in Newark about the same, that provide jobs and money, provide for educational services and other neighborhood ownership of assets, so the asset benefits the community.

Let’s look at city ownership. Many cities, under both Republican and Democratic mayors around the country, given the fiscal crisis, are changing to asset-based strategies when they can.

We talked about parking lots making money. There are also cable televisions and WI-FI. Some cities are going into very interesting environmentally-oriented things, such as capturing methane from the garbage and turning it into a source for electricity, thereby helping the tax base and jobs. For those of you who are interested in the housing question, look at public land trusts or nonprofit land trusts, in which we capture the increased value of land development and turn it into a source of support for low to moderate income housing.

The city of Irvine in California is building 10,000 units because there isn't be going to be more money for subsidies. Capturing the gain from that asset development is an effective strategy.

The question is, “Can we multiply some of these things, both directly and indirectly? Can groups of leaders such as this one produce a result that is different from what any one or two actors could do?”

If each of the major players, that is, the Chamber companies that are oriented to civic responsibility, the nonprofit sector, the universities, the hospitals, the Mayor's Office, the county commissioners, working as a group, were to decide to institute group procurement, for instance, that group decision would enhance the possibilities for everyone and the tax base as well.

Leadership on these fronts becomes a critical element in determining where this is all going to go.

I want to say one other thing that is taking this issue to the edge: Many communities are trying to get the high tech industries and trying to attract new businesses. That's fine, but you are competing with every community in the country in that realm, and I think that the edge will be on the communities that can pick up on some of the other innovative approaches to development and begin to multiply it in a big way.

MS. MYERS: So as not to lose what Gar has said because it's been very rich fare, would any of you like to ask some questions now?

MS. BRODERICK: You talked about innovative ideas that smaller communities have pursued through joint leadership efforts. Can you cite a few examples?

MR. ALPEROVITZ: We're working with Cleveland, Ohio, and it's a very simple process there which you might want to consider. We are putting on the table, as we are doing today, the question of what we can do together. We're going to see if we can develop a plan to implement some innovative strategies collectively by bringing together folks from the different sectors. The Mayor's Office can be very critical in this. Some of the federal funds that come through the city can be allocated in creative ways if there's a coherent plan.

MR. COLLINS: On procurement, I would assume that communities don't procure locally as a policy. Is the primary reason because it's inefficient to do that?

MR. ALPEROVITZ: It isn't so much that it's inefficient; it's simply not on the radar screen. Very often a big company will buy through its head office or one of its regional offices. Often they are not looking for prices in the local area, where they can often find them. Universities, for example, often are just not looking. It takes a shift, and not a radical shift, but if you can buy local, some studies indicate that there can be two to three times more money circulating in the community instead of the money seeping out of the community.

Many communities have a provision that you can buy local even if it's up to 5% higher, because there is a tax benefit and a multiplier benefit that more than make up for the higher bid.

MR. BURKE: Ann, are the colleges and universities doing some joint purchasing now?

DR. PIPINSKI: Yes, they are. It started in Wilkes-Barre but it has progressed to Lackawanna County. Now there's a joint effort, with the business offices of all the colleges and universities in Luzerne and Lackawanna Counties working collaboratively on procurement.

MR. BURKE: And are they buying locally?

DR. PIPINSKI: The initiative is in the planning stages, but I know they have implemented some collaborative buying activity.

When procurement is targeted at anchored institutions and businesses that aren't going to leave, it has an even better multiplier because you'll get the community effects as a stabilizer. We haven't seen that done yet, but it’s a place to break through.

MR. FLANAGAN: What actually started the process in Cleveland?

MR. ALPEROVITZ: It was started at Kent State University, which brought together a number of foundations, some of Chamber of Commerce people, and labor leaders. The whole group decided it was time to have this kind of a get-together.

MS. MYERS: To interrupt the discussion, four of our leaders have joined us. Please introduce yourselves.

MR. CORDARO: Bob Cordaro, Lackawanna County Commissioner.

MR. BAILLIE: Hal Baillie, Provost here at the University.

MR. CORONEL: Jorge Coronel, Coronel Management Group and Hispanic Resources Network.

MR. KELLY: Bob Kelly with Myers, Brier & Kelly. I'm an attorney practicing in Scranton.

MS. MYERS: Thank you. Now we'll turn to Joseph Blasi to take us into the next stage of the discussion.

MR. BLASI: Thank you very much. I'm going to focus on a very practical thing that you can start doing tomorrow.

The point here is to figure out how to keep jobs in the region, how to create new jobs for people in the region and help business owners who work in family businesses. As you know, small businesses make up over 99% of all employers. They provide a significant number of new jobs to the economy, the Fortune 500 companies are not creating the economy.

A major threat to small businesses is managing transitions. A lot of family businesses go out of business because they don't have a son or daughter to take over the business. Eighty percent of small businesses are family-owned. Only around 21% have a succession plan. In a family business, there's a lot of value tied up in the relationships, the contacts, the knowledge of the founder's networks and operating procedures, and that can just fizzle away if there's not a son or daughter to take it over. So there's the prospect not only to lose these family businesses and lose the employment, but also to lose the potential for future growth of employment that they might offer. From an owner's point of view, his or wealth is tied up in the business, but the owner needs to retire. The owner of a small family business can't just sell his or her business on the New York Stock Exchange.

Here's an example. Halpin's Pharmacy, founded in 1949 in Spokane, Washington, was bought by two pharmacists in 1969. They wanted to retire. They couldn't get a bid to sell it, so it was going to go out of business. They sold it to their employees in 1992, and one of the assistant pharmacists who used to be an employee now manages the business.

All the employees own a piece of the rock. It's one hundred percent employee-owned. They used the federal tax law that provides small business owners, when they sell more than 30% of their company to a group of employees, to be excused from capital gains tax on the sale under certain conditions.

Here's an example of an architectural firm in Meredith, Connecticut. The retired owner, Robert Landino, wanted to retire. His 12 employees continued to work and share the wealth. They own 70% through an ESOP. Another 13 employees own 30%.

Here's a company in Lancaster, Pennsylvania, founded in 1988. Consultant, Microsoft retailer, reseller and founder, Chip Cargis, who still works there, sold 34 percent to the employees in 1998. And he's used it to attract high knowledge workers.

There are other Pennsylvania ESOPs which have done this. You might have heard of Gladfelter Insurance in York; an engineering firm in York; C.S. Davidson in Gettysburg; Quaker City Paper in York; Murray Insurance Associates in Lancaster.

Here are some other cases where this type of transaction was done: Your Building Centers of Altoona that has lumber yards throughout Pennsylvania; Weldon Solutions in York; Lloyd-Silber, maker of orthopedics, again in York.

How does it work? I refer you to the Internal Revenue Code, Section 1042. By selling 30% or more to the employees, an owner can defer capital gains taxes on the profit from the sale. What some owners do is sell a minority stake and then keep selling more to the employees until they're ready to retire.

Usually the Employees Stock Ownership Plan (ESOP) that the employees set up takes a loan from a financial institution and the loan is paid back out of the proceeds of the business. Employees do not have to pledge their personal assets or houses as collateral for the loan.

The owner must own the shares of his or her company for at least three years before this happens, and then must invest the proceeds of the sale in stocks or bonds of the company. The owner does not pay capital gains taxes until those gains are sold, which may be never.

There is a great incentive, an opportunity for significant savings on capital gains. Something that's really interesting is that after the sale the founder will hold the bulk of securities in his or her estate. And if the son or daughter inherits after the founder's death, they will pay no tax on the increase.

What does the founder have to do? The founder has to be willing to identify some good management expertise below him or her in the business to help manage the leadership transition.

Weston Solutions in Norfolk, Virginia is a great example, though not done through this kind of transaction. It’s a company that was public and was taken private in West Chester, PA; it's an environmental engineering firm that works for a number of governmental units in Pennsylvania.

Pennsylvania also has a number of majority employee-owned businesses, for example: Bradford White, in water heaters; CenterMark Corporation, the largest roof repair company in the United States; STV Engineering in Pottstown, and Bowman Hat, one of the only hat manufacturers still in existence in the United States. They're all majority-employee owned.

There are two consulting groups in Philadelphia that have managed such transactions and can work with you.

By sheer coincidence, the ESOP Association has its regional meetings in Scranton. There is the National Center For Employee Ownership, and the Ohio Employee Ownership Center, where my colleague, John Logue, has done wonderful work.

We have 11,000 such companies in the United States. Most of them are under 500 employees and have been set up through the sale of a family business to a group of employees. So I hope that you can figure out a way to do this in the Scranton area.

One practical thing you can do is invite one of these groups to have an annual meeting here where you bring in small business people who don't have a succession plan, and at this meeting, lawyers, accountants and others can suggest ways that they can consider such transactions. That's a very practical and doable idea.

MS. MYERS: Any questions or comments? Some of you in the room may also have innovative plans for economic development, using effective and just development strategies. If you have anything to add to or ask of Joseph, do that, or offer one of your own ideas.

MR. BURKE: Let me ask a question, Joe. Scranton historically has had some great family-owned businesses. Just look at some of the former retailers downtown, Oppenheim's, Joseph the Furrier, a number of bakeries and simpler businesses. Lackawanna County has formed the Family Business Initiative. How could they promulgate the ESOP as one of the strategies for family businesses here in Scranton and Lackawanna County?

MR. BLASI: I think the best thing is to identify one business which is having a transition problem and try to establish one partly employee-owned company, especially if you choose a successful ongoing business so the first one is a success. I suspect that if you have one or two workshops a year and publicize them, you can surpass York in stabilizing your family business employment.

Remember, apropos of Gar's point, that these employees, going forward, have their wages plus a share of the business. So they really have some capital assets. They become part of the ownership base of the community.

MR. CORDARO: We (the county) could be the end of that process in a way, too, because we can lend them the money to undertake the ESOP and to finance the business through that loan. We have put together the $25 million from the Federal Home Loan Bank and the $25 million from the SPA. They're run through local banks, but it's the first time they've actually done this together. It's a good size pool of money, but it's going a little slowly. ESOP could kick-start it because it's a way to finance it.

MR. BURKE: Bob, do we have the commercial infrastructure? Do we have attorneys that are versed in this that can advise them?

MR. KELLY: There are only a few in town that have extensive experience in doing ESOPs.

MR. HOWARD: Kent State University has an Ohio Employee Ownership Center which provides a number of services to businesses, one being technical assistance about how to do it. As a result, Ohio probably has the highest per capita number of employee-owned firms of any state in the country.

That Center was set up with some state money and foundation support, but it's not a big, pricey operation. Has any city tried to set up an ESOP technical assistance unit to help with this kind of thing?

MR. BLASI: No. If Scranton did it, it would be the first in the United States and would probably receive a lot of attention for that reason, and a lot of enthusiasm on the part of the ESOP community. As I mentioned the ESOP Association has its regional meetings here; I didn't realize that until last week.

John Logue’s Center in Ohio is small, with a very small budget, perhaps $400,000 a year. And he's afraid to let it be known that he exists.

It is common around the country to try to lure jobs in. Retention, he estimates now, just by providing technical assistance, costs about $500 a job. It's not expensive, and it has the highest pay-off.

MR. HOWARD: Joe, you should also talk about the productivity gains--the statistics on this one are particularly great.

MR. BLASI: We did research where we tracked all the privately held ESOPs over a six year period and found that they had greater productivity than non ESOPs in similar industries. There’s a great opportunity for incentive here. John Logue, for example, has focused on Canton, Ohio, where there have been a lot of large industrial firms which might have been closed, but they could have been profitable on their own. And this is an application of the ESOP idea in concert with unions. A number of companies in Canton have futures in the manufacturing area, and their unions continue to have their membership.

There are a variety of applications of the idea, but I would say that you don’t need to do much other than organize the communication and spread the word because the lawyers who have the training in this--you could easily get some of the local lawyers trained--will implement the idea for you. Government should be available as a coordinator, and having a loan fund is a wonderful idea. There's probably no other city that has this set of resources waiting to be used!

MR. CORDARO: I believe that Penn Security Bank has an ESOP; is that right?

MR. KELLY: Yes, I believe that 40% of Penn Security is owned by an ESOP. There are a few other local companies. DEK Insurance in Factoryville, is not 100% ESOP but pretty close to it. And there was one, S.J. Bailey &Company, that was 100% ESOP. The company went out of business but not related to the fact that it was an ESOP. The idea is not completely novel to this area.

MR. DANCHAK: The biggest issue you have with ESOPs in Northeastern Pennsylvania is the lack of knowledge of them. Most business owners, when they've reached the point that they want to sell, just leave the business, not knowing that there's another option available for them.

The education part, as Joe was saying, is critical, because many business owners want to sell because they don't want to be there from 8 in the morning until 8 at night; but with an ESOP, they can still be on board as an employee and own part of the company, and the employees will own part of the company as well; in that way they don't have to go directly into retirement. Lack of knowledge by the business owner is one of the biggest obstacles. We have so many small businesses in Northeastern Pennsylvania. We should be able to correct that.

I would not be a proponent of having a Microsoft here, for example. The reason is that if Microsoft is doing well, the community is doing great; but if Microsoft has a hiccup, the whole community suffers. We have so many different businesses in Northeastern Pennsylvania that we don't have any one business or any one industry that dominates the area, which is a big asset for us because we're not going to ride the fortune of an industry like coal, as we did years ago.

Bob is correct that the ESOPs I have seen have all used Philadelphia lawyers, because it's hard for any law firm to create a specialty in ESOPs in Northeastern Pennsylvania if they're going to do only one or two a year.

Sending mailers out to people is a good idea because small business owners are so deep into their businesses that they can’t step away in the middle of the afternoon to go to a two hour seminar. They're more worried about the customers coming in or paying the bills. They’re the hardest working people I know because the families they employ depend on what they earn that week.

MR. BLASI: I suggest your having a seminar to which you invite some of the CEOs of the Pennsylvania ESOPs I've talked about to talk to the CEOs of the businesses here and one lawyer, because that will get the message across. With all due respect, I don't think you need a professor in the seminar for ESOPs. But the strategies that Gar was talking about are more future-oriented and complicated and require a lot more planning.

MR. CORDARO: We’ll set something up.

MS. BOVARD: You mentioned that foundations are involved in this. Are they playing the convener role, the catalyst role, or are they actually making program-related investments?

MR. BLASI: Foundations have been mainly involved in funding research. We just got a million dollars from the Rockefeller and Russell Sage Foundations, and we finished a six-year project to look at whether there's improved productivity and profitability and less turnover among these companies. We just had a wrap-up conference in New York City last week, and in one word, we found, yes, there is a distinct improvement if you establish a more participatory corporate culture.

The Ford Foundation contributed a lot of money to a project that John Logue of Kent State ran to try to educate different governments and groups on policies. But as I said before, if all of you can get on the same page on communicating the ESOP idea and Gar's ideas, that is all that would be necessary. There's very little need for funds to do this.

MS. BOONE: I'd like some information on minorities participating in ESOPs, especially, for example, in Northeast Pennsylvania. There were educators at a diversity forum I attended where African American businesses were not even included. I would like the minority community to participate in this opportunity that you're presenting; however, before they can discuss ESOPs, they have to discuss how to establish their businesses.

MR. BLASI: Two comments on that. I think that Michael Keeley, who is president of the ESOP Association at Kent can help you to invite some minority-led ESOPs; and, also, that Corey Rosen from the National Center For Employee Ownership can do the same thing. The strategy is getting business people talking to business people.

MR. ALPEROVITZ: I want to pick up on the foundation issue. Just yesterday we were called in by one of the major foundations. We were not even particularly interested in going to see this foundation for our own work. We're just beginning to realize that some of the bigger foundations could play a role in helping to coordinate a plan here, and possibly invest in it. It's an area where there could be a breakthrough. Investing in asset-based strategies, including ESOPs in a coherent plan may actually allow some kind of a breakthrough and foundations are interested in that.

MS. BOVARD: Even in smaller areas like ours, there are foundations that will work together, as we have here often; it increases the amount of money we have available to support progressive strategies.

MR. HOWARD: Is your foundation making program-related investments?

MS. BOVARD: No, we're not, but we've looked at it.

MR. HOWARD: I know people at the Heron Foundation and others that would be happy to talk to the group.

MR. KELLY: My experience is that it's very easy to get a company interested in ESOPs, but despite the best intentions, it may not quantitatively work out for an ESOP in terms of the expectation of the owner and what they want to sell versus what the company could support for servicing the debt.

A lot of times the impediment is that they're interested but it may be necessary to spend $5,000 to $10,000 up front to have someone perform analysis, and that becomes the stopping point. Perhaps some of the available monies can be used not as a <u>loan</u>, but as a <u>grant</u> to key community businesses that might be in danger of sunsetting, to fund the study to demonstrate to them that the ESOP is economically viable.

MR. CORDARO: You’ve brought up two major barriers to moving into ESOPs: The owners are not willing or able to take the time off to learn about them, and the up-front costs. We’d have to figure out how to deal with both of those issues to make it easier for small business owners.

MR. ALPEROVITZ: That's where John Logue's operation offers help; it may be that you can make it a better package here.

MR. BLASI: Yes. If you had a feasibility fund, that would be a great idea.

Here are three other quick ideas that you could easily use. For a very small amount of money, you can get a clipping service from the National Center For Employee Ownership that puts together every three months all the articles on family businesses that have done this. You might interest local newspaper editors in re-printing some of these articles.

If you could get some of these businesses in York, for example, interviewed on the radio and on TV here, you could begin to concentrate education using the media, radio, TV and newspapers in this region. And then you could focus on the feasibility studies, which as the Commissioner has pointed out, is really the key intervention.

MR. ACKMANN: Joe, obviously, York was successful. How did it happen? How did the idea take root there?

MR. BLASI: I asked the head of the ESOP Association this morning, and he's not sure. All he knows is that two or three businesses converted to ESOPs, and then other CEOs felt they could imitate them, because their comfort level was increased enormously. And that's really where the first step for Scranton is.

MR. ALPEROVITZ: There are extraordinary tax benefits. It's really a good deal for the retiring person.

MR. ACKMANN: There are some unique tax benefits that accrue to banks to lend to such structures, too, so I don't know that money is necessarily the problem, although Bob brings up a good point--that typically there could be debt that is greater than the company could support. So there has to be a good plan that's put together to create an ESOP, but it is a viable alternative to just calling up an investment banker and saying, “Find somebody to buy this business.”

MR. TIGHE: Statistically, have they tracked the successes or failures of ESOP businesses as compared to non-ESOP businesses?

MR. BLASI: We took all ESOPs we could find in the US at the beginning of the eight-year period, and got their Dun & Bradstreet records, and then we got the Dun & Bradstreet records of their closest competitors. We found that they failed at a significantly lesser rate than their Dun & Bradstreet matched--pair competitors. In fact, this research has been used in Congress to help support the notion of continuing these tax incentives.

MR. ALPEROVITZ: I've also seen studies that show that with adequate training, productivity levels with comparable firms are often better and that their retirement and pension plans are better.

There an incredible record that's been documented. As I said earlier, there are more people involved in ESOPs than in unions in the private sector.

MR. BLASI: Instead of having one person who gets capital ownership and that important incentive for bringing in business, you have everybody; so it's the American dream. But it is important to start off with an example that will be a success so the first step is the most important one.

MS. MYERS: Are there leadership issues in transitioning to an ESOP?

MR. BLASI: Typically, what happens is the founder will sell the first percent and continue to run the company during a transition period while looking to find and train a senior manager who will replace him or her. Then when the company goes over 51% to the employees, the former owner will start to pull out, and may even pull out very quickly and do the final sale. The employees, as a group, don't run the company. Once it becomes majority employee-owned, they would have representatives on the Board of Directors, but typically there would be independent members on the board too.

MS. MYERS: Jack (Tighe), you have recently brought a lot of jobs into the area. I know you're not an ESOP, but I wonder if you might make some observations on your experience here and how it might serve the larger cause of attracting other businesses.

MR. TIGHE: I've followed ESOPs for a variety of reasons, but I would say this: having brought a business here over the last three or four years to about 715 employees, I have a lot of people who are interested in buying it.

I grew up in Dunmore and we're pretty well-vested in the community in a variety of ways. One of the things we think about is how to keep jobs here; that's part of the mission we have personally.

I think that the community focusing on keeping the jobs that they have here is better time and money and effort spent than luring jobs here. But Bob brings up a point that's on my mind: "How do the investors in a company like mine, or the principals, get the valuation out of the business that we think it's worth whether you started it as a small business and you own it 100% or you built it like I have with some venture money and sweat equity. That becomes a critical issue in all of these discussions.

But I would say this: It isn't unlike selling your company through investment bankers in the sense that there are a couple of ways to do that. You can either retain an investment bank or can go to a strategic partnership.

I was just at a meeting with Microsoft and a group of companies like that who were discussing how they acquire companies. They much prefer to have a one-on-one sale with a company, where some companies prefer to auction their businesses, assuming that they'll get the better valuation on it. I think that isn't necessarily true.

The analogy is that an owner who considers selling to an ESOP might say, "I may not get the highest valuation on this sale." I suspect it isn't necessarily true. I'd be interested in hearing some commentary on it.

MR. BLASI: Typically they would hire an outside valuation firm that would value the company based on comparable firms that are publicly traded where they have an established market value. We've known a number of cases where a buyer will buy a family business for the sole purpose of shutting it down to destroy competition and get that human and social capital out of the market. We also know many cases where a diversified buyer collects all kinds of little businesses and would be an absentee owner and have no emotion whatsoever about shutting down the lowest performing ones, which might still be profitable if locally-owned. We've seen a lot of those. If you were the owner and sold to your employees who were not successful, where is the recuperation for the owner who has sold something that has decreased in value? The employers have to be sure, with their management team, that they have a plan to maintain the success of the company. But if you sell your house to someone and it burns down, that's their responsibility.

MS. REINHEIMER: Who would incur the debt?

MR. BLASI: The ESOP would incur the debt, but one of the beautiful things about an ESOP is that the member employees do not have to use their personal assets as collateral so they would not be personally hurt by the sale. There is no put-up of money by the employees in the ESOP unless there are wage give-backs, which I strongly advise against.

MS. BOONE: Among the successful ESOPs, what is the growth rate, and do they tend to hire more employees?

MR. BLASI: We've seen a number of studies indicating that these companies create jobs at a faster rate and their sales growth is at a faster rate. But a lot depends on the management team and the culture. If you invited in some of the successful Pennsylvania ESOPs, you would become experts in a day on what kind of management team and culture work. And you could ask them how they got from here to there.

MR. ALPEROVITZ: When the employees have a stake in the action, you get changes in behavior; it's an important development.

We think that the best economic strategy is encouraging businesses and job retention, rather than trying to bring in all the businesses and jobs. Most academic studies show that big companies that are courted would come anyway. They are just playing governors off against each other.

MS. MYERS: Gar, you talked about other forms of ownership, too, that are useful in this regard, such as public ownership. We have public officials here, and I would be interested to know, Chris, what Scranton owns and is there anything that fits into the category of being more beneficial to the community because the City owns it?

MR. DOHERTY: We own those things that are almost public entities, extensions of the city, such as housing authorities and parking authorities. But we do own parking garages, too. And that has been a catalyst for growth. We built two new garages in the last two years, and we spent close to $29 million. We built retail on the first floor of these sites, which were both blighted properties and now are active and vibrant properties. So we've used that as a catalyst.

Also, we’ve been very aggressive with investment in small business. We made an arrangement with a company called CRF out of Minnesota last year. They bought all of our existing loans, $6 million worth, that previous administrations had lent to businesses, and they paid 92 cents on the dollar. We got $5.2 million back, which we are now re-lending to the community.

We’ve given about 17 loans for this year at a minimum of $250,000; it’s been a great catalyst for the downtown.

MR. ALPEROVITZ: Are you trying to retain any ownership in order to get revenues? That's another piece of the strategy. One is the encouragement side, the other is revenues.

MR. DOHERTY: We work with existing businesses to help them grow.

MR. ALPEROVITZ: Some cities are making a lot more money in ownership land development; working jointly with the developer in maintaining an ownership share. Boston does it. They get 40 percent more than they would have gotten from straight tax deals by maintaining an ownership share. So does Washington, D.C. and all over the country they do transit investment.

You could go into several websites that show a number of cities that are making some money and helping out with the tax side. It takes a little staffing, but it's not uncommon. It’s happening all over the country, and it's not only land development, it's cable television and Wi-Fi as well. There are 400 or 500 cities that have gone into capturing the methane that is a money maker. So there's a whole series of things beginning to develop that we see, probably because of the revenue problems that cities are facing. Cities realize that they have to do it the other way. The business community has been in support of some of this. We did a conference at Aspen and one of the people there was former Mayor of Indianapolis, Steve Goldsmith, a Republican. He was George Bush's Domestic Advisor in his first campaign.

MR. BLASI: I want to mention another idea. I have a colleague who teaches a course to Princeton's engineering students on venture capital high-tech start-ups. It would be great if you could identify a person like him in Pennsylvania to teach such a course to students in the sciences and in the health area at the University of Scranton and other local universities. If two kids can get an idea like YouTube that sells for $1.7 billion to Google two years later in some little town in California, they can do the same thing in a small city in Pennsylvania!

Though you don't want to focus all your ideas on high tech, facilitating such a course at local universities would be a low cost way to start a venture capital network.

MS. MYERS: Are there any engineering programs in the region?

MR. BURKE: The University of Scranton offers some electrical and electronics engineering, and Lackawanna College is going to be partnering with Lehigh University to offer Master's programs in various engineering curricula via distance learning.

MS. MYERS: We'll turn to Ted Howard now, who is going to talk about the role of the university in the economic arena.

MR. HOWARD: I know that some of us here are in higher education and some are not, but this is not meant to be a higher education conversation. It's about how we leverage the economic power of anchored institutions that are place-based, rooted in community and do not get up and leave.

In this case what we're talking about is universities, but one could talk about a number of other kinds of institutional anchors. How do you leverage their resources for community economic development and community benefit?

Universities and colleges are some of the major economic actors in communities all over the country, and they are a largely untapped resource for the communities in which they're based. They have their own particular mission, but they also purchase a lot of product, they develop a lot of real estate, they employ a lot of people, and they have endowments that are invested.

The question is how this can be leveraged in ways that is completely consistent with the mission of the institution, yet with some refocusing and some catalyzing within the institution, can also benefit the community.

This is not a trivial matter. I'll give a few figures.

If America's universities and colleges, between 4,000 and 5,000 institutions, were a country, they would have a GDP of more than $350 billion, which is more than half the entire GDP of Mexico. In 1996, urban-core universities (there are about 1,900 of these in the U.S.) spent $136 billion on salaries, goods and services. That was nine times more than all federal direct spending on urban business and job development in the same year. And we know that spending on higher education has gone up because these institutions are growing, and the federal budget for these kinds of urban business and economic development programs is going down, and will continue to go down.

So higher education is a major player economically. These institutions collectively employ more than 2 million people, only a third of whom are faculty; the rest are in administrative and support staff positions. They're among the fastest growing employers in the country. They hold more than a hundred billion dollars worth of real estate. In short, there are a lot of resources there.

I've learned today that there is a constellation of universities and colleges within 15 or 20 miles of here; a couple of them are represented in this room.

The question is, "Can we leverage each of these individually and how might they participate together?" The fact that Liz Randol is at the University and working on civic engagement is testimony to the movement to have higher education exhibit a more public mission--to see itself as an essential building block of democratic and civic life in the community.

More than 500 university presidents have signed a presidents' declaration on the civic responsibility of higher education through a group called Campus Contact, committing their institutions to service learning and getting students involved in the community.

There are also new university strategies and experiments that incorporate a strong economic dimension. Let me give you a few examples. The University of Pennsylvania's West Philadelphia Initiative is one. Penn sits in what has been a blighted neighborhood for a long time. People at Penn say that's due in no small part to the way that Penn operated in that community for a long time.

About 10 years ago, Penn began the West Philadelphia Initiative. It has many components including building housing and bringing in retail development. In addition they made a commitment to target a percentage of all the purchasing Penn does to go directly into a very focused geographic area of West Philadelphia.

If you talk to the business side of the university, they have on the walls maps of the city, and outlined in red are the blocks they count. If you purchase in this area, it helps them to meet their target. So now they are purchasing 9 percent annually in this area, which was a devastated neighborhood, and still a very difficult neighborhood, but growing stronger all the time. Over $57 million a year is now going into that one location to help build the community around Penn.

The Initiative is consistent with the mission at Penn dating from the days of Ben Franklin. And it's completely in Penn’s self-interest. It's making a safer city. Students aren’t being shot on campus, which happened years ago. Parents who bring their kids to school feel better about bringing them. They attract faculty who feel that there's a community near campus where they can live.

Another example is Trinity College in Hartford, CT. It has begun a program to invest $7 million of its $36 million endowment in Hartford. They’re targeting it in community revitalization in the 15-square block area surrounding the campus. They estimate that their investment over these last few years of $7 million has leveraged about $100 million in additional investment with federal money coming in, new construction and new businesses.

The president of Trinity in the late 1990s said that if 100 of the nation's 3,000 plus colleges and universities invested on average $6 million in their communities they would leverage more than $20 billion for the benefit of the communities. And again, it's entirely consistent with the business practices that the university maintains.

There are many other examples. Ohio State, a land-grant college, is investing $28 million of its endowment. At Duke, $4 million is being invested in local nonprofit housing developments, setting up a land trust. And there are many more examples.

Recently an MIT official remarked, “We have lots of community-related programs and even investments, but we have no strategy.” And that's the problem all over the country. There are universities doing lots of constructive things, but there's no strategy--no big picture.

So one strategy is getting together within universities, both the academic side and the business side, to join with people from business, the Mayor's Office and so forth, in a planning process.

What is it that you can achieve here in the Scranton area? Why not do an inventory of all the purchasing that's done in your institutions? How much do you purchase? Where are you purchasing it? What kind of real estate development are you doing? Who is benefitting from it?

For those of you that have endowments, where are you investing those endowments? Might you be able to learn something from the Trinity or Ohio State example, both of whom still get a very good return on investment?

If you look at elite, wealthy universities like Harvard or Duke or Yale, you say it's easy for them to do that because it’s easy for them to put $8 million on the table. When you look at universities with more limited resources, including the University of Maryland, they might find $50,000 or $100,000 for a staff position with clout and authority with the provost or the president, to move this agenda forward, creating a strategic planning process–and an inventory may not be so difficult.

We believe that these kinds of contributions can catalyze, over a three-year period, millions of dollars that could flow into the community for a relatively minor investment.

It's important for universities and colleges to make the business case for why this makes sense. Fr. Pilarz started this meeting by noting that such strategies are entirely consistent with the Jesuit mission of service to justice. In some instances we need to build the case for how you are going to benefit as an institution, how you are going to draw better faculty, have less crime, and be a more welcoming environment for students from around the country. There are opportunities to establish an ongoing conversation between the university and the community so that priorities can be set, tensions can be resolved, and new investment opportunities can be developed.

Targets are very important. At Penn, one of the ways they've been able to achieve their target of channeling 9 percent of their purchasing is by educating the purchasing people from different departments throughout the university. And their annual evaluation includes examining how well they meet that target. It’s part of their file that goes into promotion at that university. So it's a no-nonsense business approach to channeling these resources.

Establishing a Trustees’ committee on university-community partnerships, and on these kinds of investments is also a good idea.

Universities, as anchored institutions, are sleeping giants--that can be awakened. There's a movement that's sweeping through higher education, to do just that.

DR. PIPINSKI: We are a very small two-year associate's degree-granting institution with 400 students. But I’ve learned today that there are things we can do that are going to make a difference. Today the Mayor and I were at Weston Park. We got a grant from Urban Forestry and we're going through a master planning process and wanted to make sure that we utilized the trees properly that we were going to purchase. We decided to donate them back to the City.

It's a small act in the larger scheme of things, but if every nonprofit or educational institution could do those kinds of things, it would make a difference and connected us better with the folks at the Scranton Neighborhood

Association, where we are based. It's encouraging to know that a lot of little things add up to bigger things.

MR. HOWARD: Exactly. And letting the community know what contribution is being made will probably generate new possibilities.

MS. RANDOL: Ted, Could you give us a sense of who you found to be the most significant players in the strategic planning process. My Civic Engagement job is brand new. There are fantastic resources in this community, lots of people, lots of interest, lots of generosity. There are so many interested parties that I'm wondering who would be the best people to help with the strategic planning process from a university and community perspective.

If there are models for a strategic planning process at some of these other colleges like Trinity or Penn, it would be helpful for us to know them.

MR. HOWARD: I could give you the names and contact information of people at Penn on both the business side and the academic side who have developed a stellar program. You need to be willing to hear people from the community who have grievances. There are legitimate grievances, and then there are miscommunications. Part of it is just getting into the game, being serious with the community.

At Maryland, when we wanted a commitment from the University to become engaged, we named it The Engaged University Initiative. There are a lot of good ideas flowing around the University, but we realized that unless we listened to the community, anything we did was going to be in the wrong paradigm. So we set up a series of meetings that went over a three-year period in which we brought together more than 500 or 600 people, half of whom were from the university community and half from the community of Prince George's County. And inside the institution you really need to bring the academic side and the business side together, especially on economic development, to see what contribution you can make.

MR. CONDRON: Ted, how do you see tax-starved municipalities and counties coordinating with nonprofits, particularly universities?

MR. HOWARD: It's a contentious issue in places where lots of the land is taken out by nonprofit hospitals and universities, especially those where institutions like Harvard and MIT and Yale are, have been willing to do pilot programs--payments in lieu of taxes. But for not so wealthy universities, that's a very difficult path to take. I think that rather than trying to tax universities, communities should look into how the university can generate contributions through joint purchasing, targeted locally, and real estate development. These can help build up the tax base using the work that the university already does to generate a new economic future.

MR. BAILLIE: I think you're right. If the institution is reinvesting in the community, the benefit for the community is much greater than if you tax them. We get taxed and give contributions to the city as well. It’s much better to leverage the economic impact that enhances both the community and the institution.

For example, we do a significant amount, much more than 9%, of our purchasing locally so that our money is going back into the community already.

MR. CORDARO: The other thing about that, too, is, that if the investment is made in time to do purchasing, particularly as it relates to the city of Scranton, your business privilege and mercantile taxes will help get you direct tax revenue, and help develop the businesses, both of which are beneficial.

If there were an agreement that if nonprofits located in the city they would buy from businesses in the city, both goals could be achieved, and the contentiousness stops and the investment begins.

MR. HOWARD: I think that universities can develop an inventory to demonstrate how they are benefitting the community and the commitment to do it. They can set new targets, and have it understood both within the community and within the institution.

Let the world know that you have targets and are actually going to do this in a serious strategic way. I think that would dissipate a lot of the tension and make the case and also increase the contribution.

MS. MONICELLI: The Lackawanna County Economic Development Implementation Committee’s research shows that over $600 million worth of purchasing is done by seven academic institutions within Lackawanna County.

Our academic institutions are poised to launch a strong cooperative effort, as the college presidents are sitting down together to discuss how they can work more efficiently and cost effectively on economic development and how they can contribute to their communities.

MR. HOWARD: As Joseph was suggesting, launching an ESOP initiative at the city level would be a first in the country and a really interesting story.

And if, at the presidential level, universities in the area worked together to create a joint economic program in order to benefit the community, that would also be a very interesting story nationally.

MS. REINHEIMER: In our case, that would be a city-county initiative because some of the higher education institutions are not in the city.

MR. BURKE: A couple of years ago, we had some consultants help us devise an economic strategy for Lackawanna and Luzerne Counties, looking at what steps we could take and what goals to set. One of the goals was to get the 12,000 students that are going to school here in Lackawanna County spend money in the community, specifically downtown. The colleges and universities worked closely with us, they surveyed the students to see what the impediments were to getting them downtown, and I believe they're redoing that survey, so we'll have a meeting in a few months with the downtown merchants to tell them what they can do to increase their business with the University students.

One of the thoughts that I had is a joint college book store.

In Wilkes-Barre, Kings and Wilkes Universities signed a contract with the Barnes & Noble College Book Store Company, and they established a book store downtown to serve both universities there in a real estate tax-paying location. It’s a win-win situation.

Downtown needs a quality book store; that’s something I'd like to see put on that agenda.

MR. CORDARO: The county is trying to do all of our purchasing within the community, and all of our professional services within the county, and we're not running into many barriers.

If there are five or six companies that do the same thing, or sell the same type of product, we have them compete against each other. We manage the competition, which is part of our family business initiative. If the nonprofits would decide to buy within the city or the county, they would have an incredible impact on the economy.

Next we want to work with the Chamber to convince businesses to buy from each other locally. That's another area of significant leakage.

MR. ALPEROVITZ: The communities that are going to win this game are the ones that work together as communities and begin mobilizing all the resources. You need a strategy.

I want to get back to the hospitals, too. In most communities, hospitals and higher eds are half the employment force. And if you start working on cooperative procurement, you very often find that you can do better buying locally.

And then there are "buy local" campaigns. Many cities have them and get big multipliers.

I see a possible strategy beginning to emerge, including anchoring, job retention, cooperative procurement and ESOP planning.

We have to understand that supporting the community helps the economic growth. Even if you pay a couple pennies more, it's important to collaborate and go beyond self-interest on behalf of the community.

MR. DOHERTY: We also have laws that we have to follow, bidding procedures to give out contracts. Ours is public money. The project is advertised. The bids are put in, and you follow rules and regulations. But we want to help the local people, absolutely!

MR. BRADY: That's true of the health care industry, too. There are policies that we have to follow, such as getting competitive bids. But we'd be more than happy to be part of a planning process.

It’s true that a lot of the things you’re talking about for higher education can apply in the health care industry; I think it's a matter of economics. Our health care systems are struggling right now, but eventually there will be a good time for them to sit down and go over such things.

MR. DOHERTY: We're doing a major sewer renovation that will take multiple years. We’ve asked the engineering firms that are doing work to set up offices in the city, and in fact, two engineering firms have moved back into the city. We’re glad to see them renting space and paying taxes here.

MS. MONICELLI: Large businesses must buy from the vender who gives them the lowest price, regardless of whether that vender is local or not. But if there were some statistics to support that there were additional benefits above and beyond the actual dollar value that we could use to ask support for local purchasing, that would go along way.

MS. MYERS: Naturally, self-interest is in the picture. But so is strengthening the community. With that said publicly and strategically, it's easier to work on ways of doing that, whether you're a bank or a university or a neighborhood facility.

From this discussion, let’s move to implementation strategies. In that context, everybody at this table is a resource person. Our three experts from out of town are stimulating us by raising the level of our thinking--by bringing their knowledge and experience to us. First, I would like to hear also from Michael Hanley about the neighborhood strategies that you're using on economic matters.

MR. HANLEY: What keeps coming to my mind through this conversation is the buying power of those who are in the bottom percent of our population; there's a tremendous amount of economic activity that is being overlooked in this conversation. The folks who are at the bottom economically pay much more to live day by day than we do. It costs them more to buy a refrigerator or a stove, or to get a small loan, which they need. And they're paying vendors from outside the community, like rent-to-own stores, which are national chains, and check-cashing stores which are springing up here and are sucking the money out of our community.

We've been looking into the growth in the number of home foreclosures in Lackawanna County. There were 56 foreclosures over the summer and only two were by banks that had a local presence. The rest were national banks that are taking that money out of our community. That's also a conversation we need to be having.

At United Neighborhood Centers, we started a Community and Economic Justice Program about six months ago. Some of you have been part of those conversations in which we are beginning to look at what the economic impact of this situation is on our community, and how the community can come together. I think that needs to be integrated into this conversation.

MR. CORDARO: Michael, the mortgage situation is difficult. I'm involved with Landmark Bank, and we started that a few years ago. We're still small. We couldn't compete with the mortgage companies. That may be not be solvable because of the nature of the mortgage business as it is now.

MR. HANLEY: These loans are very high-priced. The folks have a hard time getting loans locally. Some of it can be remedied through an education process.

MS. SOLFANELLI: I'm the executive director of the Lackawanna Heritage Valley Authority. We're a state and national heritage area. One of our big problems is that we don't appreciate the value of the sense of community and the ethics that we have here. Our job at LVHA is to give people a sense of pride in our heritage, promote and preserve it and educate the public about it. And that includes all our resources, economic, cultural, historic and natural.

We've been able to leverage that into Heritage Tourism, which is one of the largest industries in the world and the second largest in Pennsylvania. It's better economically and better in every way to build a sense of community and pride in our heritage.

It's what made us strong, and that's what is causing us to have a renaissance in the city of Scranton today.

MR. TIGHE: I've been through this kind of experience in two places: Independence Blue Cross, a multi-billion dollar company, was very committed to the Philadelphia area and had very active programs supporting local businesses that had to meet the price and the quality. We operate our business here in the same way. When I first started, I had a printer who did work for all the big insurance companies in North Jersey. They weren't very good at what I did, so I got Universal Printing here locally, and I basically put them into business. They've grown as rapidly as I've grown.

When I was at Blue Cross a company came to me, and they wanted me marketing to seniors and retirees, which was the business I ran there. And I was spending $10 million a year doing it. This company had great ideas, but they didn't have any customers. I became their customer. I spent $2 million with them their first year. It was money we were going to spend anyway so it wasn't that much of a risk. I helped create a great company. In that case, I actually got ownership interest in it.

But the point is that you can leverage. Universal Printing has grown tremendously doing my work. They've leveraged that to do work for other insurance companies, work they never would have gotten if they hadn't done my work at scale.

I think it is a strategy. Universal has to meet the price. They know that. I shop around. I tell them what everybody is charging. I give them a little preference, but ultimately they have to compete on all the work.

We do this kind of thing a lot. I don't see it as a problem. There are a lot of little companies that are going to be here for a while, and a lot of them can compete. I'm one of them. I go up against the biggest multi-billion dollar companies worldwide, and beat them all the time. I'm usually good with price, but it isn't all about price; it's the leverage. I take credit for the Universal jobs because I think that's part of the case that you put forth. And it doesn't have to be new money, or lower or higher cost or lower quality.

MS. MYERS: It has to be the commitment to do it.

MR. TIGHE: That's correct.

MS. BOHLIN: I'd like to bring up another issue--the idea of the university and the city and the county investing in real estate or even some retail activities. How can we create a plan that makes sense for the university and the city and the county all at the same time?

MR. ACKMANN: Does the University of Scranton have an alternative meal plan?

MR. BAILLIE: Yes, we do, and it's recent, and at this point it's still small, but it's growing.

MR. ACKMANN: And can downtown merchants sign up?

MR. BAILLIE: Yes, you can get food, you can get your haircut, a variety of things.

MR. TIGHE: You need to track that and take credit for it because that's part of what you're doing for the community. It's painless, and yet it's impacting.

MR. DOHERTY: Another example of that is the Wi-Fi program. The University and the City and the Chamber of Commerce worked on it, and now we have Wi-Fi hot spots. The University was able to get grants to make it happen in conjunction with the City and the Chamber. That now has worked, and we have already announced that it's in full use. Then next, after the Royal Card, is the restaurants.

MR. HANLEY: Another program that I think the University was involved in as well as the hospitals, was employee-assisted housing. The University was assisting some of its employees to buy houses in the Hill Section. The Hill is pretty much stabilized now, but South Side is where we're doing new development. We're looking at employee-assisted housing in South Side, which is an easy commute to the University and Mercy and CMC.

MR. BURKE: I want to learn about the individual development accounts; there are people in South Side that are at the bottom 20% of our population that we're trying to help.

We have discussed that one way out of that is developing skills, getting an education. I know the Aspen Institute has done something in that regard, and I don't know what the individual development accounts are for, but I had the impression they could be for education or for getting into your own business. Can we discuss that?

MR. ALPEROVITZ: It is an experimental federal matching program. Many states have been doing it for very low income people; their money is matched. If they save a dollar, there will be a match of a dollar, or something like that. They're all slightly different.

It is another asset strategy--an individual asset strategy rather than a worker-owned institution asset strategy or a municipal ownership asset strategy. They've been experimenting with very low income people actually saving and finding that people will save.

The model is one developed by a man at St. Louis University. Middle class people get huge tax cuts when they buy their homes and the government helps them. But for people who can't buy their own home, the government ought to give them at least what they give the middle class. That's the theory behind it.

In this case, it looks like a direct subsidy rather than a back-door subsidy through the tax system. In any case, that money is accumulating experimentally through federal programs and foundation programs around the country and can be used in most instances for training, for buying/starting your own business, for going to college or buying a house. It's not a lot of money.

The other program you may have here is this: a number of cities are starting programs to help low income people gain access to money due them from the federal government; then there is the EITC program, the income tax credit where people don’t know they can apply. So cities are beginning to fund programs to help people at tax time to take the money they deserve.

As you probably know, billions of dollars are left on the table every year that rightfully belong to low income people in this country because they don't know how to get access to it. So cities and even some states are starting programs to generate money back to the people whose money it is.

MS. BOONE: There are a lot of low income people who want to improve the quality of their lives. And we are finding that you're developing programs that these people do not qualify for. I know of three groups in this area that are coming together qualifying themselves by helping each other. And they're pooling their monies and servicing themselves because no one is listening to what their needs are.

I'd like to bring to the table the importance of including the poorer people who they want a better life. They're willing to do whatever it takes.

One of their initiatives is starting with saving programs and proper insurance. They’re starting on the bottom scale and working themselves up to where they can become members of organizations like the Chamber of Commerce. They’re not there yet, but they want to be there.

But there's nothing to support them getting from Point A to Point B.

MR. BLASI: Are some of them co-op organizations?

MS. BOONE: Yes.

MR. BLASI: We have a woman in Maryland that is working on that, exactly what you're talking about, trying to help the cooperative part of it. I agree with what you said.

MR. HANLEY: There are a couple of other programs that are part of Housing and Urban Development: the Family Self-Sufficiency Program, for families in Section 8 housing; as their income increases, their rent increases. If they take part in this program and work with somebody to assist them in increasing their skills and increasing their job levels, as their rent increases, that increase gets put away, similar to an IBA. And they can then use it to purchase a home or a car, or for education.

Lackawanna Housing was running it for a while, and we were running it with them for the last few years. Unfortunately, the Scranton Housing has never checked on that. It was a great asset for families.

MR. ALPEROVITZ: I want to throw one last item in, if I may. I think some community is going to grab the ball and run with these ideas.

What’s going to happen if you really get so successful that your land values explode, and you get gentrification? The poor people are going to get kicked out. It's just obvious.

There's a man in Harlem who's running a real CDC. He says if we make a lot of entrepreneurs, they leave and the values go down. If we make a success, gentrification happens and people get kicked out.

If you get ahead of the game and begin seeing the possibility of a public or a nonprofit land trust where you purchase some of that land and hold it for housing permanently--it will be permanently lower moderate income housing, you won't have to go for subsidies. And it can be done when the land values are down.

Irvine, CA is doing 10,000 units. Chicago is doing it, but nobody has made it a part of a strategy.

Let me urge you to go for a land trust. It's another asset strategy, getting the land asset and using it in a way that creatively stabilizes the values for some part of our community. That's part of a just economic program for community.

MR. BEASLEY: We've gone over a lot of material. What would your suggestions be as to how to get started? Where does a mid-size city like Scranton try to fit in, to make sure we make an impact?

MR. ALPEROVITZ: First let me congratulate you. I've never seen this good a group.

MS. MYERS: You should know, Gar, that the rate of acceptance was extraordinary. Just about everyone came who didn't have a direct conflict.

We'll be adjourning shortly for drinks and dinner so with that incentive in mind, Austin talked about us trying to establish some best practices. We've heard a lot of good ideas. I don't know that we're prepared to make a list of those, but I know that the majority of us are interested in helping to develop a strategy.

I propose that we prepare an edited report of the Roundtable and reconvene for the purpose of reviewing it and coming up with a strategy. What might any of you have to offer in these last few minutes that we can leave with and then proceed to act on?

MR. CORDARO: I think we need to convene the ESOP Conference. Austin and I will work with the appropriate University officials to do that.

MR. BURKE: Yes, he and I can take the lead on that.

MR. CORDARO: Why don't Judy, the Mayor, and I convene a nonprofit summit and try to talk about the issues that we discussed today, focusing on the purchasing. We can do that within a few weeks, if anybody would be interested coming on board.

MS. GATELLI: Agreed, and we might want to invite the School District because I don't think the three governmental bodies are purchasing together.

MR. BAILLIE: I would add to that list what we're already doing, so that we have a good place to start.

MS. BOHLIN: I'm seeing three categories. One is purchasing, one is ESOPs, and the other is investments. You might consider organizing groups in each of those categories and then coming together? I know there are bits and pieces missing, but purchasing, ESOPs and investments are on the table.

DR. WRIGHT: I belong to a profession in which there's been a huge change in terms of leakage from the community. Blue Cross is spending somewhere between $100 and $200 million outside the area at a 20% percent premium. We have lived in a silo in medicine that has been not well connected in the business world. Nobody from the business world has come to us and said, “You've got to change that.”

This conversation is useful in that we are talking about community, and this is the kind of conversation that has to take place. We must look at and perhaps prioritize where the major leakages are taking place, and where we need to make adjustments that help the community. In terms of getting together with the political and business forces in the community, we’ve got to have a conversation on how we can promote and encourage the development of the provision of services within the area that might be economic.

MR. ALPEROVITZ: Bob, the thing that impressed me the most was you set up a board, with two groups of people on it. One were the physicians who were worried about the fact that they couldn't recruit physicians to the area and didn’t know how they were we going to have a sustainable infrastructure, the other were the people who had an economic interest, and they were forceful in arguing for the development of some medical educational enterprises.

This kind of conversation is very good because it gets people together who have a working interest in change, to discuss those things that are necessary for renewal. Both are talking about community renewal and sustaining a viable integrated community.

MR. CONDRON: We can't focus on what we don't spend in the community; no one is going to spend a hundred percent here. We've got to focus on what we do spend and make sure we have a positive impact on that.

MR. ALPEROVITZ: You might try to put all these pieces together on a piece of paper as a comprehensive document. I suggest that you think about how much it would add up to and how much could be saved and start showing the benefits of the comprehensive coherent approach.

MS. MYERS: In short, a community strategy.

MR. ALPEROVITZ: If you begin to show what the whole thing could do, it will be very interesting indeed. And then I recommend that this group meet again to consider how to proceed.

MR. CONDRON: I'd like to encourage us to add to the purchasing portion, a "buy local" business-to-business effort. I think it has to be expanded beyond the nonprofits.

MR. CORDARO: If we start with the nonprofits, local businesses will have an incentive to cooperate because the bottom line for business is going to be the bottom line.

We can start this in a matter of weeks and have it show some results. And then, since the Chamber is already involved in at least one half of this process, they can then start and help us with the business-to-business purchase.

MR. KELLY: Austin, going from the demand side to the supply side, too, couldn't the Chamber survey local businesses by asking, "Do you feel you aren't getting your foot in the door? What can you offer on a competitive basis to some of our larger institutions?"

Maybe when you have the first sit-down with the universities and the hospitals, you can point to six areas to target where we know we have a strong local supply base that feels it's being neglected or overlooked.

You can make it easy. Instead of asking them what you think you could buy locally, put it in front of them and say, "Here are some things we know you could buy locally."

MS. LAVELLE: The next Sanofi Pasteur summit is scheduled for the first quarter of 2007. There is a lot to bring to the summit that has come out of this meeting. And

I think it is important for us to integrate efforts and be cooperative.

Mary Ellen Monicelli is the chair of that committee, and we'll go back and discuss with the committee everything that has taken place here.

MS. MONICELLI: We need to spread the word, particularly the local purchasing piece.

MR. CORDARO: You can go to the institutions. All the institutions have board members who are in business. And that's why it's also good to start with them and let it roll.

MS. GRAFF: There are probably lots of other ideas that got glossed over that we shouldn't overlook; the local land trust, for one. There are probably other things that I don't want to see slide away because we haven't mentioned them.

MS. MYERS: With the prospect of the next economic summit that Sanofi Pasteur is going to do, we need to get all of this together and look at what does come out as best practices and things that we can act upon very quickly and others more gradually. We will begin work immediately on an edited report of this meeting that will be the next step toward developing a strategic plan and implementing it. We will reconvene as soon as we have the report in hand.

I thank you all for taking the time to be here and being part of this fruitful discussion about choosing an effective and just economic future.

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THE DEMOCRACY COLLABORATIVE

November 3, 2006

Sondra Myers
Senior Fellow for International, Civic and Cultural Projects
University of Scranton
St. Thomas Hall, Room 455
Scranton, PA 18510-4635

Dear Sondra,

It was a great pleasure to join you and your colleagues for the leadership roundtable on "Choosing an Effective and Just Economic Future." In our experience, it is all too rare that such a broad cross-section of a city's leadership sits together to consider a common agenda. We have rarely been to a meeting that offered such promising potential to impact a local economic environment.

While it is true that Scranton faces great challenges, we came away convinced that the city could project itself nationally as a model of what a mid-size city could achieve in building community wealth and ensuring economic stability. In the short-term, there were a number of key ideas that seemed realistic to implement. Chief among these would be expanding the volume of local purchasing among anchor institutions (such as universities, hospitals, and the municipal government) and initiating a "buy-local" awareness campaign among community-based businesses, as well as among citizens and college students. We are also enthusiastic about focusing attention on the Employee Stock Ownership Plan mechanism discussed by Joe Blasi (beginning perhaps with a series of seminars for local business owners) as a strategy for retaining jobs in the Scranton area.

In the longer-run, we would continue to urge you and your colleagues to keep on your priority list the idea of creating a <u>comprehensive</u> plan of what could be achieved if <u>all</u> of the groups and institutions represented at the roundtable were to pool their energies and leverage their financial power. Any one institution, no matter how committed, can only make a limited impact on the local economic situation. But – as many illustrations on the www.Community-Wealth.org website suggest – if a coordinated and strategic plan aimed at local wealth building, asset development, and economic stability were to be created, then truly remarkable things could be achieved for the city of Scranton.

We hope you will keep us apprised of the next steps and discussions by the leadership roundtable. If we can be of any assistance or support, please don't hesitate to call on us.

Sincerely,

Gar Alperovitz Ted Howard

Choosing an Effective and Just Economic Future
A Leadership Roundtable
sponsored by
The Greater Scranton Chamber of Commerce, The Scranton Area Foundation and the University of Scranton

Wednesday, October 11, 2006 - 4:00 p.m. to 8:30 p.m.
Collegiate Hall at Redington, University of Scranton
Clay Avenue at Linden Street

AGENDA
4:00 to 6:30 p.m.

Welcome	Rev. Scott Pilarz, S.J., President, University of Scranton
Opening Remarks	Co-moderators Austin Burke and Sondra Myers
Introductions	
Gar Alperovitz	"Building Wealth–the New Asset-Based Approach to Solving Social and Economic Problems"
Joseph Blasi	"How Can Employee Ownership Help Small Business Owners Manage Transitions in Our Area
Ted Howard	"The Role of the University in Solving Social and Economic Problems"
Roundtable	Where do we go from here? How can the public, commercial, civic, cultural and educational sectors collaborate to improve the effectiveness and fairness of our development efforts? Recommendations.
6:30 to 7:00 p.m.	Cocktails
7:00 to 8:30 p.m.	Dinner

Presenters

Gar Alperovitz is the Lionel Bauman Professor for Political Economy at the University of Maryland

Joseph Blasi is Professor of Management and Labor Relations at Rutgers University

Ted Howard is the Executive Director of The Democracy Collaborative at the University of Maryland

APPENDIX 1

Gar Alperovitz is the Lionel R. Bauman Professor of Political-Economy at the University of Maryland and a founding Principal of The Democracy Collaborative. He is a former Fellow of Kings College, Cambridge University, of the Institute of Politics at Harvard, of the Institute for Policy Studies, and a Guest Scholar of the Brookings Institution. His most recent book is *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty and Our Democracy* (John Wiley & Sons, 2004). he is also author (with Jeff Faux) of *Rebuilding America* (Pantheon) and co-author (with Thad Williamson and David Imbroscio) of *Making a Place for Community* (Routledge, 2002). Well-known works in other areas include: *The Decision to Use the Atomic Bomb* (Knopf) and *Atomic Diplomacy* (Simon & Schuster). Alperovitz received his Ph.D. in Political Economy as a Marshall Scholar at Cambridge University, a Masters Degree from the University of California at Berkeley, and a Bachelor of Science Degree from the University of Wisconsin. Previously, he was a Legislative Director in the U.S. House of Representatives (with Rep. Robert Kastenmeier of Wisconsin) and the U.S. Senate (with Senator Gaylord Nelson of Wisconsin), and a Special Assistant concerned with United Nations issues in the Department of State.

Ted Howard is the founding Executive Director of The Democracy Collaborative at the University of Maryland and Director of the Collaborative's Community Wealth Building Initiative. Previously he was the Executive Director of the National Center for Economic and Security Alternatives, a research institute based in Washington, D.C. He has worked in the not-for-profit field for 30 years, including more than 15 years in international development with NGOs and agencies of the UN system and the World Bank. He is author or co-author of several books, including: *Building Wealth: The New Asset-Based Approach to Solving Social and Economic Problems; Ending Hunger; Entropy*; and *Who Should Play God?* His most recent journal article (with Gar Alperovitz) is "The Next Wave: Building a University Civic Engagement Service for the Twenty-Fist Century" (Journal of Higher Education Outreach and Engagement). He is he chairman of the board of Search for Common Ground, an international conflict resolution NGO, and chairman of the board of the Blue Frontier Campaign, an environmental advocacy organization dedicated to saving America's living oceans.

Joseph R. Blasi is a Professor at the School of Management and Labor Relations at Rutgers University in New Brunswick, New Jersey. For the last thirty years he has studied the role of workers owning stock and sharing in profits of corporations. He has examined the ways that sharing in the rewards of the company can help workers participate in teamwork to solve company problems. Dr. Blasi has also examined the economic development role of new ways of organizing business for the innovative knowledge corporations that are likely to make up the workforce of the 21st century. In this light, he has studied "innovation cells" of high technology companies in Silicon Valley and Seattle. He is the author of twelve books as well as many articles and other publications. His most recent book, *In the Company of Owners* (Basic Books 2003) looks at profit sharing and employee ownership in the hundred largest U.S. corporations that invited and run the Internet (such as Apple, AOL, Cisco, Ebay, Etrade, Macromedia, Microsoft, Priceline and Yahoo). He is also the author of *The New Owners* (HarperCollins, 1991) about large U.S. corporations that have employee stock ownership. His book, *Employee Ownership* (HarperCollins/Ballinger Books, 1988) is about smaller family-founded corporations that have employee stock ownership. Early in his career, Professor Blasi conducted a series of studies of work and life in the Israeli kibbutz. This was the subject of his first book entitled, *The Communal Experience of the Kibbutz* (Transaction Books, 1986). For the last six years he has been coordinating a project with other colleges on Shared Capitalism at the national Bureau for Economic Research in Cambridge, Massachusetts that is looking at the role of employee stock ownership and profit sharing in improving the performance of the corporation. This program is supported by major grants from the Rockefeller Foundation and the Russell Sage Foundation and a new book on the work, The Economics of Shared Capitalism, is expected to be published in 2008. Professor Blasi was born in Scranton, lived in Moosic, and is a graduate of the Scranton Preparatory School. He was a novice in the Society of Jesus from 1967-1969. After that he completed his degree in social psychology at the University of Pittsburgh and went on to receive a doctorate from Harvard University's Graduate School of Education in 1977. He taught at Harvard from 1979-1986 as a lecturer in Social Studies. From 1987-1989 he was a Professor at the School of Business at California Polytechnic State University in San Luis Obispo, California. He has been on the faculty of Rutgers since 1989. Professor Blasi has also served as the Mellon Foundation Fellow at the Institute for Advanced Study in Princeton, New Jersey, the Lady Davis Fellow at Hebrew University, the Fulbright Fellow at the University of Haifa, and a visiting professor at the Yale School of Management. He is currently a senior fellow of the University of California at San Diego's School of Business.