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To: All Media
From: Capital Ownership Group (COG)
Contact: Executive Director, Deborah Groban Olson (313) 331-7821
Re: **“Fair Exchange” helps communities cope with globalization pressure – recent publication of examples and model legislation**

How can communities more effectively counteract globalization’s impact on U.S. jobs? When do government investments in businesses provide the community with a fair exchange? The Capital Ownership Group (COG, www.capitalownership.org) focuses on equity ownership methods to address this question.

In late October 2006, the *Cornell Journal of Law and Public Policy* published COG’s **“Fair Exchange: Providing Citizens with Equity Managed by a Community Trust, in Return for Government Subsidies or Tax Breaks to Business”**, authored by COG’s Executive Director, Deborah Groban Olson, and funded by the Alfred P. Sloan Foundation through COG. It shows numerous positive examples of government investment in business that paid back large social and economic dividends, such as the Tennessee Valley Authority (TVA), Chrysler Loan Guarantee Act and the Alaska Permanent Fund, and examples of poor government investment schemes that primarily benefited private interests, such as the savings and loan bailout and the premature sale of Conrail.

Many scholars and practitioners found value in continued pursuit of “Fair Exchange” at a conference reviewing the paper at George Washington Law School in Washington, D.C. in October 2005. So the Alfred P. Sloan Foundation funded COG to seek out examples of successful state and local Fair Exchange practices. Within the next year, COG will publish this new information on its website and summarized in a short brochure.

The “Fair Exchange” article includes model state and federal fair exchange laws (<http://cog.kent.edu/lib/OlsonProposedLegislation.pdf>) Olson says, “When communities give businesses large cash incentives to locate a plant, without imposing equity or concrete return requirements that a private investor would insist on, companies often abandon the facilities without fulfilling their promises.” The Fair Exchange article highlights governments that have been more savvy investors.

Recently, states have developed more sophisticated methods to ensure local benefit from their business investments. These include university-based technology commercialization programs and seed and early-stage venture capital programs in which the communities take an equity stake. Some of these are too new to show definitive results. There are established and proven examples of “Fair Exchange” in community-owned utilities, cable and broadband Internet service providers, community-owned sports teams and other well-anchored equity investments. The best ones have businesslike incentives and sophisticated protection of taxpayer investment. COG will publicize these best practices on its website and literature.

(The "Fair Exchange" article is available online at <http://www.capitalownership.org/lib/OlsonFairExchangePaper.pdf>; hardcopies available for \$15.00 from COG, 313.331.7821 or COG@kent.edu.) For details or to book a speaker, contact 313.331.7821 or dgo@esoplw.com.

Background on COG and Fair Exchange

COG is an international network of professionals, academics and activists that operates an on-line conference center, think tank and library from Kent State University. Its aim is to help communities use broad ownership to abate negative impacts of globalization. It has 20 working groups with over 600 participants from 6 continents and has responded to over 5.3 million information requests from people in 173 countries. It has sponsored several international conferences and has been funded since 1999 by a variety of foundations including the Ford Foundation, the German Marshall Fund of the U.S., the Alfred P. Sloan Foundation, the European Union Fund, the Carey Center for Democratic Capitalism and a number of others.

When founded by North Americans in 1997, we sought to create a network including enough people from the developing and developed world that any programs we created would be acceptable to both. When our network included sufficient developing world participation, we held a conference in Washington, D.C. in 2002 entitled "Fix Globalization: make it more inclusive, democratic, accountable and sustainable". The last day was entirely devoted to strategic planning to develop our future programs. That internationally diverse group set our programmatic agenda. Since then we have pursued those programs as we are able to get funding for them, including Fair Exchange.

We define "Fair Exchange" as a transaction or relationship that (a) involves a public investment in a private business and (b) provides the public, on whose behalf the investment is being made, with potential returns that are at least equal to the potential returns a private investor would receive for an investment of the same kind, magnitude and risk. In such a transaction or relationship the:

- potential returns to the public are commensurate with;
- magnitude and riskiness of the investment involved;
- returns to the "public" are in a tangible and measurable form (such as, but not limited to, cash or securities); and
- performance measures and time limits (with appropriate, tangible and measurable consequences for non-performance) are clearly defined.

Legislators, their staff and community organizations have expressed real interest in developing Fair Exchange from the idea stage to implementation.

The Sloan Foundation commissioned the Fair Exchange paper (abstracted below in this email and available in full at this link <http://www.capitalownership.org/lib/OlsonFairExchangePaper.pdf>) from COG and asked COG to convene a conference to critique it. The conference was at George Washington Law School

(10/5/05). (See conference papers at link to COG website). Most of the conference speakers now serve on the Fair Exchange Advisory Board. There is a power point presentation on Fair Exchange at <http://www.capitalownership.org/lib/OlsonFairExchangePresentation.pdf> summarizing the guts of the idea and the law review article.

We are currently creating a database of Fair Exchange best practices at the state and local level and for future publication on our website. We will create a brief pamphlet describing the Fair Exchange concept with short summaries of project categories and examples (like sports teams, municipal utilities, seed & venture funds, etc.), with links to more information on the website. We intend to disseminate the brochures to government leaders and staff, technical assistance organizations and think tanks that serve governments, community development and labor organizations and get invitations to speak about Fair Exchange at their conferences

Abstract of *Fair Exchange law review article* being published by the *Cornell Journal of Law & Public Policy*:

The policy proposal called "Fair Exchange" means that when communities provide subsidies to businesses the citizens should get equity managed by a community trust. This article describes large-scale successful and unsuccessful legal and historical precedents for Fair Exchange, comparing their virtues and drawbacks on issues of equity acquisition and distribution, community impact on corporate governance, and their local social and economic impacts. It provides model local, state and federal legislation, which could also be used in global trade agreements. It discusses the complex problem of quantifying non-financial (but very real) community benefits for the existing precedents, community benefit agreements, and proposed fair exchange models. It proposes basic metrics for some community benefits. It describes the creation of a Community Trust network including a mutual fund and voting trust agreements to enable thousands of local community trusts to pool resources, diversify their investment portfolios, and increase their impact on corporate governance in conjunction with pension and socially responsible investment funds. For each issue raised in the section on Issues confronting potential FE legislation it proposes potential alternative solutions. It also discusses potential Fair Exchange agreements governing use of the airwaves; its significance in the policy debate about how to organize a real ownership society without undermining social security; and its significance in confronting the transfer of jobs from developed to developing countries or from developing countries to China.