

February 7, 2006

Honorable Committee Members:

I am Deborah Groban Olson, a Detroit attorney. At the request of Ian Chan Hodges and Rep. Marcus Oshiro, I assisted in drafting HB 3261 and I now welcome the opportunity to testify in favor of this bill that charters the Hawaii Ingenuity Corporation (hereinafter "HIC").

Since 1981 I have specialized in creating and representing employee owned companies and labor unions faced with business restructuring issues, including sales of assets and plant closings, many of which are linked with high pension and health insurance costs. (See www.esoplaw.com.) I've worked as a consultant for state and regional economic development agencies on employee ownership feasibility studies.

I am also the executive director of the Capital Ownership Group (COG) (www.capitalownership.org). COG is an international network of professionals, academics and activists operating an on-line conference center, think tank and library from Kent State University's Ohio Employee Ownership Center. Its aim is to abate the negative effects of globalization through broad-based ownership.¹

When founded by North Americans in 1997, COG's aim was to create a network including participants from the developing and the developed worlds so that any resulting programs would be acceptable to all. When its network included sufficient developing world participation, COG held a conference and strategy meeting in 2002 entitled "Fix Globalization: Make it More Inclusive, Democratic, Accountable and Sustainable". That internationally diverse group set the programmatic agenda that COG has since pursued, including Fair Exchange.

Fair Exchange (FE) is a promising strategy for minimizing the effects of globalization on communities. FE encourages governments, employees and communities to utilize standard business investment principles in their dealings with businesses, particularly when providing subsidies or concessions. The Capital Ownership Group's (COG) working definition of FE is that when communities or employees give businesses tax breaks, concessions or similar benefits, citizens, a community trust or local government receive company equity or collateral.

¹ COG has 20 working groups with over 600 participants from 6 continents and has responded to over 6.8 million information requests from people in 173 countries through a web-site navigable in English, Spanish, Russian, and Chinese. The organization has sponsored several international conferences and, since 1999, has been funded by such foundations as the Ford Foundation, the German Marshall Fund of the U.S., the Alfred P. Sloan Foundation, the European Union Fund, Corporation for Enterprise Development, the Carey Center for Democratic Capitalism and the MLG Foundation.

A key problem underlying the COG work and my labor/employee ownership practice is that global corporations now exist outside the jurisdiction of any single government body. Their strategies, needs and loyalties are based on global competition and not loyalty to the communities where they do business. With their mobile capital, they can and do, get myriad assistance from all levels of government based on the dual claims that: 1) providing such benefits will bring jobs and economic growth; and 2) if our community does not provide such subsidies, a rival one will. Yet many company-promised benefits are not fulfilled.

Governments, at all levels, and all organizations whose primary obligation is to protect citizens and communities, need to develop new strategies and tools to contend with the community impact caused by the downward spiral of wages, benefits, safety and environmental rules (race to the bottom) created by highly mobile capital.

Employee ownership is one such tool. So are Fair Exchange laws. Creating a national pension and health care system would be another. The creation of the Hawaii Ingenuity Corporation (HIC) is also such a strategy. Governments, unions and workers need to use these and other new tools to protect the Hawaiian and U.S. standard of living. Otherwise, that standard of living will be pulled down to a global lowest common denominator.

HIC is a unique and promising strategy. Its purpose is to enable inventors and labor unions to work together to protect intellectual property rights, local jobs and environmental standards. Inventors often lose their intellectual property to large companies through patent infringement, because the inventors don't have the financial means to successfully litigate their patent rights. Some inventors would be happy to license their technology to protect local jobs if, by doing so, they would gain assistance from organized labor to enforce their intellectual property rights. To accomplish this end, they need a corporation to: find promising deals; pair up likely inventors and unions; hold the intellectual property rights, manage the licensing arrangements, and allocate the benefits amongst the parties. The governance structure of HIC is intended to balance the needs and interests of all the parties and operate efficiently.

Hawaii is uniquely suited to create such an entity because of its desire to be an inventor-friendly state, its high density of organized labor, its budget surplus, and the good fortune of having creative Hawaiians invent this idea. HIC is designed to repay Hawaii handsomely for its initial support, by providing roughly 1/3 of the profit it generates towards innovation education in Hawaii. HIC is designed to be a resource for inventors and unions throughout the U.S. So Hawaiian education would profit from deals taking place all over the U.S.

Thank you very much.

Deborah Groban Olson