

Employee stocks: A Third World option

Norman Kurland on employee stock ownership as an alternative to communism in Central American and Caribbean nations.

Norman Kurland is one of the founders of the Center for Economic and Social Justice, a group whose goal is the promotion of Employee Stock Ownership Plans (ESOP).

A lawyer by training, Mr. Kurland believes Third World nations, particularly those in Central America and the Caribbean, could use the ESOP as an alternative to communism.

Mr. Kurland, 54, was interviewed in his Arlington office by Clark Eberly of The Washington Times staff.

Q: Can you describe the goals of Project Economic Justice?

A: Project Economic Justice is an attempt to provide a free-enterprise version of economic justice, focusing on the Caribbean and Central American area.

It evolved from a strategy paper that I developed at the request of people in the White House who feel that it is not enough to simply throw bullets and bucks at the problems in Central America. Project Economic Justice says we are in favor of growth; we are in favor of free market policies; we are in favor of getting capital investment within well-managed companies, but we have to do more than simply provide jobs; we have to begin to provide private property ownership for the workers.

So the goal of Project Economic Justice is to try to get the maximum possible ownership opportunities for



Photo by Willard Volz/The Washington Times

working people, starting in a region of the world where America is being challenged.

Q: You have written that PEJ can gain a bloodless victory over Marxism-Leninism. How can this be accomplished?

A: To win over Marxism-Leninism you have to go beyond the military. Of course you have to be militarily strong. On the other hand, there is an ideological battle. Marx and Engels stated that you could sum up the entire philosophy of communism in a single sentence: "Abolish private property."

The entire case of Marxism-Leninism disappears if we prove to the world that private property is essential for providing economic and social justice, and for providing human dignity to people in the Third World.

Marx was wrong. However, we cannot simply attack him on the basis of the problems he was focusing on but rather on the basis of the means that he would use. The solution is not to make enemies out of the owners but to make owners out of the non-owners.

Q: What are you now doing to promote Project Economic Justice?

A: The first thing is that we have put together the Center for Economic and Social Justice, made up of people who are seeking a God-centered approach to social justice, based on private property and free enterprise.

We have many writings which have been developed by people like Louis Kelso and Mortimer Adler — the originators of these concepts — and many other writers who have developed clear and comprehensive writings on the new philosophy and the practical methodologies for bringing it about. We are reaching out to prime movers of the business world and prime movers of labor to come and join us in order to get the message out.

Also, I earn my bread by designing ESOPs, and my major thrust is to begin to get the multinational corporations to become the vehicles for transforming the world into a just and freer global marketplace.

The other thing that we're doing is working with members of Congress in adopting [a] resolution to promote Project Economic Justice for Central America and the Caribbean. It calls

upon the president to develop the plan and to call upon prime movers in the banking and corporate community, and in the labor world, to come together to help us design the details of this plan.

Q: You have written that the ESOP, or employee stock ownership plan, would be a key factor in Project Economic Justice. Could you explain how it fits into the project?

A: The ESOP provides capital credit systematically to all employees of the company. It is designed so that the employees have a source of outside funding, which doesn't come out of their own paychecks or savings. This source of capital funding would all be repaid out of future profits. Now under an employee stock ownership plan, we put the employees in a position where they can buy large blocks of shares in the company in which they work.

The ESOP is now being used in about 6,000 companies — very successful ones, generally — and has also been used to save failing companies.

Q: Can dissatisfied people in the Third World be persuaded to seek justice through expanded ownership rather than through revolution?

A: I think that what people in the Third World are really seeking is hope that the future will be better for their children and grandchildren than it has been for them.

I believe that America will win friends when we provide the most exploited and poorest people of the world with the means with which they can gain self-determination.

Self-determination is impossible without ownership. We have the means by which we can now make it possible for Third World workers to be hired within companies that are very competitive within the global marketplace, that have the best management and the best technology, and that have the ability to market throughout the global marketplace.

Q: Is there at this point much awareness of Project Economic Justice in the administration or among congressmen?

A: Recently, I met with the key aides of two congressmen who are going to be introducing a resolution on Project Economic Justice. They represent polar opposites on Capitol Hill, but they reflect the universal appeal of this uniquely American approach to economic justice.

We met with the legislative aide of Congressman Philip Crane, R-Ill., who is well known within conservative circles, and the legislative aide of Congressman Michael Barnes, D-Md., who is chairman of the Western Hemisphere Affairs Subcommittee in the House. The most important supporter on Capitol Hill is, of course, Sen. Russell Long, D-La., who from 1973 on has been a very effective spokesman for the employee stock ownership plan.

I think that there is considerable support within Washington, within the State Department, within the Agency for International Development, for this wholly new approach for solving the

problems of economic development in the Third World.

Q: ESOPs are already proving to be quite successful in the United States. Could you cite a few examples?

A: One of the most interesting ones is right here in the Washington area — Allied Plywood Corporation in Alexandria, Va., which has been cited as one of the world models of employee ownership. Employees there have gotten beyond the wage-system approach to employee-management relations to what you might call the expanded-ownership approach. By that I mean the average truck driver gets several times — two to three times — more benefits and rewards out of ownership than he does out of the wage system.

In other words, beyond the fixed wage or salary that people get — which is pretty modest in Allied Plywood compared to other companies — the employee receives monthly bonuses out of profits and annual bonuses out of profits, and stock also out of profits, so the employee is accumulating property while he works. Every employee in the company has a direct, personal interest in the success of the company and the profitability of the company.

Q: Can ESOPs deal with the problem of job security?

A: If the ESOP is properly structured, the employee will be much more secure than he would in a conventionally owned company.

If the employees have no opportunity to own or share in the profits, then they must get their rewards out of fixed wage rates, and the higher that fixed wages or traditional fringe benefits go, the higher the costs of the company go, compared to their competitors. Eventually they find themselves subject to domestic competition and competition from workers of other countries who are working at lower wage rates. So, consequently, the wage system really works against job security.

Under an ESOP such as the one at Allied Plywood, the employees' fixed labor costs are rather modest compared to their competitors. They get their gains by increasing the profit pie. In the event that they have a month or a year that is not as good as the previous year, they simply tighten their belts together, which means that instead of having to lay people off, instead of having to close down the plant to keep the company alive, the employees have a new social contract which simply puts them in the position of partners.

Consequently, there have been no layoffs at a company like Allied Plywood and any of the other companies that are modeled along those lines.

Q: You mentioned that there are now 6,000 companies with ESOPs. Has the number of companies employing ESOPs increased significantly in the last 10 to 15 years?

A: When I first learned of the ESOPs in 1965, there were perhaps a dozen companies that had adopted the ESOP.

By 1972 there may have been a hundred. In 1973 a group of us who were proponents of the ESOP were fortunate in getting legislation developed and enacted by Congress, and from that moment on there was a significant expansion in the number of ESOPs.

There have been now 16 laws enacted to encourage ESOPs, the last of which was signed by the president in July. The latest changes are significant and, I am sure, will result in a doubling in the number of companies in the next year or two.

There are real resistances because the ideas are still new, but I am convinced that the future of America is going to be one where the ESOP will be a central feature in most, if not all, of our companies.

Q: A vast number of people in the world have no jobs to speak of. Can ESOPs or similar plans be developed to help these people as well as present workers?

A: Yes. The problem of joblessness can be overcome when we begin to recognize how the incredible potential of the world is being shackled. The wasted creativity of human beings, the wasted brain power, the wasted energy, the wasted technology, the wasted resources, the institutional barriers to growth, the ideological barriers to growth — when we begin to recognize that we can convert all this waste into production, then we can have healthy growth rates which will begin to absorb the people who are now being wasted, and absorb the resources that are now being wasted.

The challenge to America, and to the world, is to recreate the dynamic conditions which we had during the Second World War or that we had from 1865 to 1895 — to recreate these conditions for peace, not just in the United States but throughout the world.

I believe that there are ideas, there are reforms that are being advocated for the American economy that would, in fact, recreate those conditions. We could have full employment, at least for several generations, and during that time, we can begin to build the productive capacity of the world economy and create a single, global, free-market, economic system for the world that would provide people means by which they would have decent incomes.

Q: Do you feel that the concept of economic justice through expanded property ownership will prove appealing to both the left and the right?

A: It has been appealing to the left and the right. I am convinced that any Marxist who is an honest Marxist can be converted to become a supporter of private property in the means of production. I am also convinced that anyone who calls himself a libertarian will recognize that you can't have a libertarian society if the ownership of the means of production is controlled by a few. The core of the ownership ideology is that real sovereignty starts at the individual level.