

Legislative Red Flag!

The AFL-CIO is promoting legislation aimed at blocking takeovers by corporate raiders which could have a disastrous impact on 100% leveraged buyouts by employees. The union is asking Congress to require the same 50% margin on "junk bonds" (bonds floated by a takeover group which are supported by the future profits and assets of the target company) that the Federal Reserve requires for non-ESOP stock purchased on credit. Unless a special exemption is attached for ESOP buyouts, model companies like Weirton Steel will never come into existence. The 50% margin requirement would also prevent the United Airlines pilots' \$4.5 billion bid to purchase UAL (described below).

Project Economic Justice Updates

- The momentum of awareness and interest in the report of the Presidential Task Force on Project Economic Justice (PEJ) continues to build world-wide. Harvey Ward from Zimbabwe who heads a publishing house in London reported in a letter to CESJ President Norman Kurland that he recently handed a copy of the report to Margaret Thatcher. Mr. Ward also mentioned that he has introduced some of CESJ's concepts to authorities in South Africa and that their response was "good."
- State Department official and CESJ friend Eric Russi gave 14 copies of the PEJ report to some of the world's top financial leaders at a recent high-level meeting in Buenos Aires on privatization and the world debt. Those receiving the report included Raymond Barre, a leader in France's privatization program, Sir Allan Walters, adviser to Margaret Thatcher on privatization; and Javier Morales, former director of the National Patrimony (Spain's public sector holding company). Mr. Russi reported an extremely positive reaction to the report.

- Through the efforts of CESJ member Anne Orleans the report has reached the President of Honduras, the ambassadors to the U.S. from Jamaica, Haiti, and the Bahamas, and the Ambassador and President of Costa Rica.

- The March 25 *Financial Times* of London carried an article on employee stock ownership by J. William Middendorf, II, former U.S. Ambassador to the OAS and the European Community and Chairman of the Presidential Task Force. Amb. Middendorf pointed out that employee stock ownership is a growing phenomena in newly privatized British and French companies and is already a proven success in the U.S. He said, however, that its greatest potential may be for helping the troubled economies and societies of developing nations. Middendorf also suggested that the staggering debt of many developing nations can be effectively reduced through the use of ESOPs in debt for equity swaps.

- CESJ board member Bruce Mazzie recently met with Paul Gigot, speechwriter for Treasury Secretary Baker. The two discussed the task force proposal for swapping government debt for enterprise equity in the process of privatizing state-owned enterprises, transforming employees into the new owners. (The debt for equity swap is described on pp. 51-54 and p. 78 of the PEJ report, "High Road to Economic Justice," available through CESJ for a special \$15.95 rate.)

Other Expanded Ownership Highlights

As reported in the April 9 and April 25 *Washington Post*, the United Airlines unit of the Airline Pilots Association is attempting to buyout United Airlines. Union leaders have asked the UAL employees to substitute their existing pension plan in favor of an ESOP in order to facilitate the buyout. Since labor unions

have traditionally resisted replacing defined benefit pension plans for ESOPs, this initiative represents an historic breakthrough for employee ownership.

- Oct. 5-11, 1987 is scheduled as America's first Employee Ownership Week. The National Center for Employee Ownership plans to work with companies throughout the country to help them celebrate their ownership plans with events such as company open houses for representatives of the media, business and government, ownership day sales (for retailers), and picnic or dinner meetings for the worker-owners. For more information, call the NCEO at (301)657-8151.

May Meeting of CESJ

Workshop #1 on Economic Justice

When: Sat., May 16, 1:00 p.m.

Where: National Graduate University

1101 N. Highland, Arlington, Va. (across from the Clarendon Metro station).

Information: Call Dawn Kurland at (703) 243-5155

Part 1 of the CESJ Workshop Series on the Principles of Economic Justice will examine the Principle of Participation. Participants will engage in an in-depth reading and discussion of this first of three basic principles of economic justice. A \$5 donation will cover the cost of refreshments and a copy of CESJ's *Toward Economic and Social Justice*.

(Board Mtg., Sun. May 17, 9:30 a.m. at the Kurlands.)

* * * Closing Thoughts * * *

Justice is truth in action.

Benjamin Disraeli

