

ESOP: A New Solution for Poland's Economic Crisis?

• CESJ Director Kris Ludwiniak recently returned from Europe where he has been spreading the word on expanded capital ownership throughout the Polish Solidarity network. *Libertas*--a highly respected sociopolitical quarterly which reaches universities and other scholarly institutions in Europe and the U.S., and which is reprinted by Solidarity publishing houses in Poland--featured Kris' 45-page article "*Employee Ownership in the United States*." This article examines the philosophy and practical applications of Employee Stock Ownership Plans (ESOPs). *Libertas* (Iss. 12-88) also featured Kris' Polish translation of ESOP inventor Louis Kelso's classic 1958 article "*Karl Marx: The Almost Capitalist*."

In October, Radio Free Europe interviewed Kris in two 15-minute segments regarding recent articles on employee share ownership that have appeared in the official Polish press. The most significant of these articles, entitled "Stocks Instead of Self-Management," was published in the Communist Party weekly *Politika* (Sep. 10). This article by Prof. Tadeusz Kierczynski, the Director of the Department of Industrial Economy at a leading Warsaw University, discusses how issuing stocks for employee purchase could be a means for solving Poland's economic crisis.

While observing that these articles represent positive signs for introducing private property-based employee ownership into Eastern Europe, Kris commented that the analyses have ignored the more sophisticated financing techniques such as ESOPs which would make capital credit available to workers for obtaining significant equity ownership.

Kris notes, "There is growing interest in Poland in the employee stock ownership concept, particularly in how it can be combined with 'debt-equity swaps' as a means of privatizing state-owned enterprises in Poland. This interest has grown even more since the government announced its intention to close the Gdansk shipyard and a number of other enterprises."

• A recent ESOP survey by the National Center for Employee Ownership indicates that, based on Internal Revenue Service data, 1 million U.S. employees became owners in 730 new plans during 1987. ESOP growth was estimated to be 20% faster in 1987 than in 1985 or 1986, bringing the total number of ESOPs to 8,800, covering 9 million employees.

• Union-led employee ownership efforts appear to be increasing. The New York Times (Nov. 2) reported that the 635 employees of a profitable logging and plywood manufacturing firm in northern Washington State have worked out an agreement to buy roughly 60% of their company from its present owner, Sir James Goldsmith. The ESOP for Omak Wood Products Inc. was initiated by Lloyd Groomes, a local official of the Lumber and Sawmill Workers Union. Reflecting on the fact that a succession of previous foreign and eastern owners have cut more than 500 company jobs and have drained profits away from the local community, Groomes commented, "What we've done is buy our jobs and our future."

• The New York Times (Sep. 18) profiled Donald Liddle, the new CEO of Unimar International Inc. Unimar, based in Seattle, was created out of the remains of WFI Industries, one of the West Coast's largest tugboat and shipbuilding companies. In 1986 WFI declared bankruptcy, and 1,100 employees were thrown out of work. In 1987 Liddle, then the head of the Inlandboatmen's Union of the Pacific, went to work to save the jobs of the remaining WFI workers. Now, thanks to the new ESOP, these 400 workers have gained 73% of the firm's common stock, controlling representation on the board, and a chance to turn their company around.

Liddle, a union leader since 1969 and a veteran of many labor-management conflicts, now believes that the future of American labor lies in buying into the system. As Liddle puts it, "I'd like to show the American worker that there's another way to go here, guys. You don't have to rent your job. You can own it."

• Bruce Mazzie reports from Egypt that the National Investment Bank has requested assistance to help in the conversion of debt to equity for a large portfolio of national companies (around 50), with the prospect of using the ESOP to privatize portions of these companies equal to their debt to NIB.

November Meeting of CESJ

When: Saturday, November 19, 1988

Where: National Graduate University

1101 N. Highland St., Arlington, VA

(across from the Clarendon Metro station)

Information: (703) 243-5155

9:30 am-12:00 pm: CESJ Special Board Mtg.

Building Economic Justice from the Ground-Up SESSION 3

12:00-12:45: Afternoon refreshments.

12:45-1:00: Introductory remarks.

1:00-3:00: "The Moral Basis for the Ownership of Productive Property, and the Principle of Participation."

10-session program - \$50. Single sessions - \$10

*** Closing Thoughts ***

"Finally, the countries of [Central America] must adopt new and innovative plans to ensure that our workers have the opportunity to become shareholders in the enterprises they have worked so hard to make productive and successful. This was the major recommendation made last August to President Reagan by the Task Force on Project Economic Justice in Central America. It has stimulated considerable interest among the labor unions and solidarity associations throughout the region."

Former Costa Rican Pres. Luis Alberto Monge
Editorial, "*Five Steps to Fulfill Promise*,"
The Miami Herald, Feb. 29, 1988