

## Argentine Secretary of Labor Visits Washington to Discuss "Revolutionary" Privatization Bill

• Rodolfo Diaz, Argentina's newly appointed Secretary of Labor, travelled to Washington, D.C. in early September to speak before public and private sector officials on the recent passage of his country's sweeping privatization and debt reduction legislation, which includes major employee stock ownership provisions. On Sep. 11 he co-lectured with CESJ Pres. Norman Kurland before government and business officials from 11 countries participating in the Center for Privatization's Advanced Executive Management Program.

On Sep. 12, Dr. Diaz was honored at a breakfast meeting co-hosted by Dr. Edward Hudgins of the Heritage Foundation and Ambassador J. Wm. Middendorf (former Chairman of the Presidential Task Force on Project Economic Justice). In his remarks at the Heritage's Shelby Policy Center, Diaz noted that Argentina's privatization reforms would "transfer from the State back to the people the centers of power, social activity and production." He also mentioned the bill's ESOP components—in Argentina known as the Participative Property Program (PPP). Diaz commented that he thought that the "expanded ownership" reforms "will be the most important aspect of the privatization program."

Others attending Dr. Diaz's briefing included Sir Allan Walters (a leading advisor to Margaret Thatcher on privatization), Ron Utt and Stuart Butler of the Heritage Foundation, Paul Weyrich of the Free Congress Foundation, Mark Falcoff of the American Enterprise Institute, Martin Staubus of the ESOP Association, representatives from the World Bank, Chase Manhattan Bank, Center for Privatization, U.S. Comptroller of the Currency, State Department, Inter-American Development Bank, and International Finance Corporation. CESJ members Dr. Norman Bailey, Bruce Mazzie, Mac McGrath, Norm and Dawn Kurland also participated. Dr. Eric Russi deserves special thanks for organizing this important forum on a moment's notice.

• CESJ member Kris Ludwiniak was cited in an Aug. 23 Wall Street Journal article by Lucja Swiatkowski, consultant to the World Bank on Eastern Europe, discussing the potential of ESOPs to revolutionize the Polish economy. Solidarity is actively considering a plan for privatizing most Polish enterprises—some to be owned outright by the workers, some to be owned jointly by the state and an ESOP, and some by an ESOP and a foreign investor. The first stage of the plan under consideration is the establishment of an

International Advisory Board for Employee Ownership Development, presently being organized by Kris, which would give guidance to firms on setting up ESOPs and would oversee the financial institutions making ESOP loans.

• In Egypt, the Ministry of International Cooperation continues to get requests from businesses and labor groups for information about setting up ESOPs. This interest has resulted largely from the pioneering USAID-assisted ESOP model at the Alexandria Tire Company, which has become the "cookie cutter" for helping Egyptian enterprises to move out of the statist system. In the latest media coverage on the ATC ESOP, the Business Monthly of the American Chamber of Commerce of Egypt featured a two-part series which also discussed the conceptual roots of ESOP, as well as the process by which the ESOP was introduced to Egyptian policymakers in order to build a base of support for the idea.

On Aug. 18 CESJ was visited by Dr. Alaa Abdel Hady, CEO and principal owner of the Colloid Co., a mineral testing and refining firm in Alexandria, Egypt. Upon returning home, Dr. Abdel Hady, a founder of ADALA ("Justice")-The Egypt ESOP Association, persuaded the other stockholders to use an ESOP to provide the employees up to 72% of the company's shares. Writes Dr. Abdel Hady: "If... [Egyptian youth] feel that their dreams can come into reality in their own home land, this will be the first and most important step in a great economic revolution in Egypt."

• Dr. Mehmet Ali Gurol with the Wharton School's Industrial Research Unit sent us an article on ESOP that appeared in a leading Turkish newspaper, *Cumhuriyet* (7/10/89, p.12). The author, according to Dr. Gurol, suggests that ESOPs could be used as a method for privatization of state-owned enterprises in Turkey, which would result in increases in productivity. The author also comments that some alterations would be necessary in existing legal procedures to enable their successful application, such as in the U.S. or England.

• Business Week's cover story of 9/18/89 discussed Treasury Secretary Nicholas Brady's plan for encouraging savings and discouraging short-term speculation. One of the major elements of Brady's agenda is to "increase workers' stake in their companies by promoting Employee Stock Ownership Plans—but require that workers be given more voice in management decisions."

• USA Today (6/16/89) reported on what sounds like a Customer Stock Ownership Plan (CSOP). As a promotional effort to increase attendance, patrons of Saratoga (NY) Race-

way were given part ownership in a harness horse, named He's Impossible. When the horse, valued at \$12,500, is sold in 1990, each co-owner will get a share of the proceeds.

• Congratulations to CESJ member Dr. Jerry Leighton who was recently named Dean for Business and Graduate Studies of Southeastern University in Washington, D.C. As a result, Southeastern has indicated an interest in pursuing a formal association with CESJ. Jerry has mentioned that he would like to develop an undergraduate and graduate curriculum on expanded capital ownership. Southeastern is expanding its operations throughout the developing world, and already has campuses in Pakistan, the United Arab Emirates, and the Turkish Republic of Northern Cyprus.

### September Meeting of CESJ

\*\*\*Change of Location\*\*\*

When: Saturday, September 23, 1989

Where: Southeastern University  
501 I St., S.W., Washington, D.C. 20024 (near Arena Stage). Please enter at the 6th St. lobby where the room number will be posted.

Information: (703) 243-5155

**9:30 am-12:00 pm:** CESJ Projects Session.

**12:00-12:45:** Afternoon refreshments.

**12:45-3:00:** "Re-examining CESJ's Core Values in Light of Our Organizational Mission."

### \*\*\* Closing Thoughts \*\*\*

"Employee Stock Ownership Plans [ESOPs] are the corporate mania of the moment. Since January nearly 80 of them...involving more than \$15 billion worth of shares have sprouted at FORTUNE 500 companies. Formerly confined mostly to small private firms and employee buyouts such as Avis and Weirton Steel, ESOPs are now in place at such goliaths as Procter & Gamble, III, Bell South, Xerox, and Delta. Predicts Polaroid CEO MacAllister Booth, an ESOP booster: 'Twenty years from now we'll find that employees have a sizable stake in every major American corporation.'"

Fortune Magazine, Sep. 25, 1989, p. 141