

"ESOP Parallel Legal System" Studied in Costa Rica

• Following his recent trip to Costa Rica, CESJ Pres. Norman Kurland reported on an important series of meetings regarding the legislative project initiated by the Ministry of Planning, for promoting Employee Stock Ownership Plans (ESOPs) and similar mechanisms. Thanks to Ottón Solís, former Costa Rican Minister of Planning, Norm and associate Joe Recinos met with the current Minister of Planning, Jorge Monge, to discuss the project. Norm and Joe also met with Carlos Manuel Echeverria, former Vice Minister of Planning and currently Executive Director of FEDEPRICAP, the federation of chambers of commerce for Central America; Moises Soto, a prominent Costa Rican businessman; and Carl Leonard, USAID Mission Director.

The Costa Rican ESOP law project, Norm explained, is a "parallel legal system for economic democratization," essentially implementing the **Industrial Homestead Act** concept (see *Norman Bailey's article in the July Newsbriefs*). The parallel legal system, developed under contract by Equity Expansion International, is already generating interest in Costa Rica. The Ministry of Planning is preparing to study the package with a broadly representative bi-partisan group; both the Minister of Planning, Jorge Monge and the former Minister, Ottón Solís have voiced support for the idea. Key advisors in the rival Calderon and Liberacion parties have given positive initial reactions, and the package will soon be reviewed by trade union representatives and a commission of the Costa Rican Solidarity Association.

The parallel legal system is based on principles which favor private sector growth linked to expanded capital ownership. It includes a comprehensive set of tax and credit incentives (many of which have already been adopted under U.S. law) which would facilitate demonstration models of worker and consumer share ownership. The principal target companies are healthy state-owned enterprises slated for privatization, multinationals, and new entrepreneurial ventures.

This approach provides countries a way of studying expanded capital ownership without threatening groups with a vested economic interest in the current system. The parallel legal system is completely voluntary; enterprises and employee groups can choose to operate under current laws. By offering a low-cost "laboratory" for evaluating the "ESOP approach," the parallel legal system presents a tool for gradual, non-coercive transformation of an economy, geared toward justice and prosperity for all citizens.

• Former Costa Rican Vice Minister of Planning Carlos Manuel Echeverria travelled to Washington in September and met with Norm and CESJ's Bruce Mazzie. He invited them to Costa Rica to present the parallel legal system before representatives from a broad base of interest groups including officials from the business, banking and labor community, and with Costa Rica's Solidarista Association.

Interest in ESOP Grows in Eastern Europe

• CESJ member Ron Gilbert reports that his Scottsville, VA-based firm ESOP Services recently received a formal letter of engagement from the Polish Solidarity Union, to act as advisors on potential ESOP-type privatizations in Poland. While in Poland, Ron met with Solidarity leader Lech Walesa who reiterated Solidarity's commitment to employee ownership as the underpinning of privatization and reform of the Polish economy. Walesa emphasized that Solidarity is not interested in merely selling off Polish enterprises to rich industrialists.

• ESOP inventor Louis Kelso is expected to visit Poland at the end of October to discuss his theory of binary economics and mechanisms for restructuring the Polish economy through expanded share ownership.

• CESJ member Fr. John Kobza arranged in early October for Norm Kurland to meet with Bishop Szczepow Wesoly, visiting from Rome, who represents Polish Catholics living outside Poland. They discussed the application of the parallel legal system and the Industrial Homestead Act for democratizing the Polish economy.

• Following his meeting with Norm Kurland in July, János Lukács of the Hungarian Academy of Sciences sent Norm a letter mentioning that upon his return to Hungary, he "experienced an intensive interest for knowing more about ESOPs...from people in the different new parties as well as the present ruling party." Lukács raised the idea of having Norm visit Hungary to conduct seminars on ESOP.

Other CESJ Developments

• The Reason Foundation, a respected think tank dedicated to promoting free enterprise, held a 2-day conference Sep. 21-22 in Washington, D.C. on "Employee Buyouts of Government Enterprises." Co-sponsored by Kelso & Company, Drexel Burnham Lambert, the ESOP Association, and the National Center for Employee Ownership, the conference featured leading ESOP practitioners and scholars,

as well as government, business, and labor officials from the U.S. and other countries examining the use of ESOP and similar techniques for privatization. Among the CESJ members who attended, Norm Kurland spoke on a panel on "International Privatization & Worker Share Ownership."

Rep. Dana Rohrabacher, the keynote speaker, as well as many others, suggested that the time has come for a new form of "free-market populism." Reason Pres. Robert Poole spoke of a natural convergence of the growing global trends of privatization and expanded capital ownership. This, he suggested, could address the political weaknesses of past privatization initiatives and enable ordinary citizens and workers to have access to effective means to participate as owners in the free enterprise system.

Our special thanks to Robert Poole and to CESJ member Robert Smiley, a trustee of the Reason Foundation and Chairman of Benefit Capital, Inc., for providing CESJ a superb forum to spread its message.

• At CESJ's Oct. 21 meeting at Southeastern University, Matthew Buresch, an energy resources consultant, spoke on "The Structure of Revolutionary Change," as based on Thomas Kuhn's *Structure of Scientific Revolutions*. Examining the ESOP and expanded capital ownership as an emerging "paradigm" or world view, he noted that its success as a social and economic theory will depend on strong supporting values in the community.

• Southeastern University (Wash., D.C.) has invited CESJ President Norman Kurland to serve on Southeastern University's Board of Visitors. We are especially grateful to Southeastern for making its facilities available for our monthly meetings. CESJ member Jerry Leighton, Southeastern's Dean of Business and Graduate Studies, is currently interviewing a number of CESJ scholars concerning the possibility of teaching courses on expanded capital ownership at the graduate and undergraduate levels.

*** Closing Thoughts ***

"The significance of crises is the indication they provide that an occasion for retooling has arrived."

Thomas Kuhn
The Structure of Scientific Revolutions