

U.S. Rep. Rohrabacher Urges Mandela to Study ESOP Approach to Economic Democratization

• In a letter of February 16, 1990, Republican Congressman Dana Rohrabacher congratulated ANC leader Nelson Mandela on his recent release from prison, and urged Mandela to seek a free enterprise, private property approach through expanded capital ownership mechanisms such as employee stock ownership plans (ESOPs), to gain economic empowerment for South Africa's black majority.

Rohrabacher stated that nationalization and socialism would not solve the problem of concentrated economic power in South Africa—these approaches would only further concentrate economic power in a bureaucratic elite. Furthermore, he noted: "Centralized planning and socialist economics have not worked to raise the standard of living anywhere. In Africa, it has been an abject failure. In Europe and even in the Soviet Union the masses of people are scrambling to leave this corrupt and inefficient system behind."

Describing how the ESOP enables working people without savings to earn capital ownership through credit repaid out of corporate profits they help produce, Rohrabacher commented: "Economic freedom and individual ownership are prerequisites for political liberty and human progress. What you do to expand ownership and broaden the base of participation in the establishment of a free enterprise system in South Africa will bolster the underpinnings of democracy and strengthen the economic hand of Black South Africans....ESOPs are effective tools in achieving that goal."

• The MacNeil-Lehrer Newshour featured on February 7 a superb 10-minute segment on Springfield Remanufacturing Co., a highly successful 100% employee-owned company with an innovative participatory ownership and management approach. Calling their corporate philosophy "the Big Game of Business," SRC teaches all its employee-owners that "to play the Game," you have to follow three basic principles: 1) know the rules (how to do your job right), 2) know how to keep score (all employees are taught how to read the company's financial statements), and 3) have a personal stake in the outcome (the company supplements its annual ESOP share contributions with regular profit-based cash bonuses).

As evidence of how well SRC's participatory ownership program is working—when a vote was put to all the employees (most of whom are blue-collar workers) about whether to pay out cash bonuses for a particular period or use the cash to retire SRC's corporate debt, an overwhelming majority voted to defer their bonuses to accomplish the long-range objective. (*Single video copies of this show can be purchased "for home use" through PBS Tape Service for \$24.95 + \$3.50 shipping, by calling 1-800-424-7963.*)

• Workers at General Motors are calling for the auto giant to adopt a \$1 billion leveraged ESOP as a defense against possible takeover by foreign or domestic corporate raiders. GM, whose stock may be under-valued in the public market, is presently a prime target for corporate raiders.

CESJ Developments

• CESJ Pres. Norman Kurland traveled to Europe in early February under the auspices of the International Development Law Institute of Rome to give a two-day seminar on the ESOP concept and technologies to 25 top-level legal professionals (including an attorney general) from over a dozen developing nations including Bolivia, Pakistan, India, Sri Lanka, Bangladesh and Nepal.

Discussing the free market, private property concepts of justice and credit democratization mechanisms underlying the ESOP, Norm described some of the models of participatory ownership developing in the U.S., Egypt, England, the Soviet Union and Eastern Europe. He also covered elements of the "experimental ESOP legal system" which was developed at the request of the Costa Rican Minister of Planning to promote expanded capital ownership in Costa Rica. Norm was delighted with the enthusiastic exchanges with the participants—one law professor, with a clearly Marxist orientation, commented that he could scarcely believe that "such revolutionary ideas could come from America."

• On February 5 Norm travelled to Paris to attend a luncheon given in his honor by CESJ member Rémy Schlumberger. This meeting was attended by nine high-level banking and government officials, most of whom are also members of M. Schlumberger's group, FONDACT.

The participants expressed great interest in the philosophy behind the ESOP. Much of the ensuing discussion focused

on how to best proceed legislatively with promoting employee share ownership in France.

M. Schlumberger, a leading French banker and chairman of FONDACT (a non-profit organization promoting worker financial participation), emphasized to the group the need for democratizing capital credit to make ownership viable for ordinary workers.

FONDACT has recently held a series of conferences to promote understanding of expanded capital ownership. It has also been forming a network of groups in different European nations aimed at expanding the concept of participation, including profit sharing, share ownership, and worker participation in management.

• Norm Kurland was interviewed by WFAX radio host Charles McGinn of the "To be #1 Again" show. Norm discussed the principles and work of CESJ, and how expanded capital ownership is spreading around the world. (*This show which can be heard in the Washington, D.C. area, will air on March 1 and 15, 5:30 pm, 1220 AM.*)

If you would like to be put on CESJ's meeting notification list, please write us or call (703) 243-5155.

*** Closing Thoughts ***

From the new platform of the Soviet Communist Party, released February 12, 1990:

“ • The Communist Party of the Soviet Union believes the existence of individual property, including ownership of the means of production, does not contradict the modern state in the country's economic development.

• The restructuring of the price formation is a *sine qua non* condition for the market to start regulating the economy.

• Making competition a reality calls for a legislative demonopolization of production, trade, credit services and insurance businesses. ”

Wall Street Journal, 2/14/90, p.A14.