

ESOPs: The Legacy of Russell Long

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When former Sen. Russell B. Long (Dem-LA) passed away on May 9 at age 84, a little of all of us in the ESOP community died also. He was the father of ESOP legislation. Without Russell Long, there would be no broad acceptance of ESOPs, and each of us would likely be doing something very different. Through his sponsorship of ESOPs, Long had a huge positive influence on millions of employee owners. They are his heirs and ESOPs are his legacy.

Russell Long was first elected to the Senate in 1948 — one day before turning 30, the minimum age for serving as a senator. He won by 10,000 votes, but no opponent ever came that close again. He became an expert on tax law, sitting on the Senate Finance Committee from 1953, and serving as chairman from 1966 until Republicans gained control of the Senate in 1981. "He knows the tax code about as thoroughly as the pope knows the Lord's Prayer," Sen. William Proxmire (Dem-WI), once said.

Sen. Long's proudest tax law accomplishments were the earned-income credit, which rewards poor, working families for staying off welfare rolls; the provision allowing a taxpayer to earmark \$1 of taxes for a presidential campaign finance fund and a 1975 tax break for businesses that helps workers buy shares of their company through an ESOP.

"My father was the greatest man I ever knew," Sen. Long once said. But he conceded that he and his father had different ideas about populism. "He wanted to tax it away from those who had it," Long once reflected. "I wouldn't keep anybody rich from getting richer."

Sen. Long was a champion of tax breaks for business in general, remarking on one occasion, "I have become convinced you're going to have to have capital if you're going to have capitalism."

At a 1973 dinner with Louis Kelso, a San Francisco investment banker who had been promoting the ESOP idea since the 1950's, Long became convinced that employee ownership would realize his father's dream to "share the wealth" and "make every man a king." He thought that employee ownership would bolster capitalism by creating

wealth more evenly. Kelso's plan offered a non-radical way of achieving more income equality. Sen. Long explained his backing of ESOPs with the statement, "The problem with capitalism is that there are not enough capitalists."

With Sen. Long's backing, legislation calling for an ESOP study was signed into law by President Nixon on January 1, 1974, and the rest is history. The Employee Retirement Income Security Act of 1974 (ERISA) was the first of over twenty U.S. laws that encourage ESOPs with tax advantages and protect employee-owners' investments with regulations.



In 1983, Sen. Long told the Senate, "Employee stock ownership is not a partisan issue; rather, it is an issue that cuts across party lines in an attempt to bring out the best in our free enterprise system. It is only fair and right that those who work to make this economy succeed should have an opportunity to share in that success. It is a matter of simple common sense and basic equity."

Today, there are over 10,000 ESOP companies and over 11 million employee-owners.

I met Russell Long when he visited ComSonics, Inc., the Virginia-based 100% ESOP-owned company where I was Chief Financial Officer. He had been invited to visit our facility by our founder, Warren Braun. For the Senator, there was no political benefit for his visit, because we were not located in Louisiana, and he was retiring from the Senate. He simply wanted to see and meet people who were living the reality of the ESOP idea he had championed into law.

We met in our conference room — Sen. Long and about 10 ComSonics' employees. I remember him asking many questions and carefully listening to our replies. When he was asked, "If ESOPs are so good, then why do we need all the tax incentives to make people adopt ESOPs?" Sen. Long's response was, "I've never had a problem using a little bit of sugar to get the horse inside the barn."

Sen. Long used the tax code to get people and companies to do the right thing to spread employee ownership. Because of him, we have had the opportunity to

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