

The Commons Society Foundation

A COMMONS "WEALTH" SOCIETY

A New Institution to Build Commons Wealth & Shared Wellbeing:

A Draft Working Proposal

Sebastian Parsons, Mark Drewell, Melanie Taylor and Joshua Malkin,

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Currently there is no automatic mechanism within the market to protect and build the commons^[1] nor any institution that exists to do so.

The Commons Society

It is generally taken for granted that the function of the economy is to create (private) wealth. But sustainability and legitimacy require that it also creates common wealth. If we re to create an economy that works for all of us and for nature, we need to resolve the problem of the tragedy of the commons ^[2] - of how we can integrate individual and collective interests - which must include how to protect, build and extend commons wealth.

Mark Drewell, former CEO of the Globally Responsible Leadership Initiative and senior partner at the international Swedish consultancy Foresight, asks a simple question. "What if we could all share in the wealth of our best companies so we could reverse the trend of the concentration of wealth into fewer and fewer hands?"

1. Reimagining Mutuality – A New Institutional Form

During the industrial revolution when neither market nor state met people's needs for housing, healthcare or the needs of the poor, pioneers of new movements created new mutual institutions. Today in response to an increasingly dysfunctional political and economic 'landscape' we need to do the same again.

In their heyday, there were hundreds of building societies in the UK that enabled people to buy and own individual assets: just about every town had one named after their town, locality or region. But before they were first created at the end of the 18th century no one really knew what a Building Society was.

Today we need new institutional forms that in the 21st century can deliver shared wellbeing. We believe that one solution is through a mechanism that allows shared assets to be purchased, gifted and owned – beyond the reach of government, banks or speculators – held in perpetuity for the benefit of present and future generations and designed on the principles of ecologies that have been tested in nature for millennia. Such institutions must potentially be able to reverse the waves of enclosures that have extracted and continue to extract value from people, place and planet, so that we can reconnect wealth creation with wellbeing and the common good.

It is clear that the effect of the neo-liberal framework has been to syphon off into the hands of a lucky elite the considerable community wealth that was generated through interventionist approaches - for example such as the New Deal and Keynesianism. ^[3]

In the UK, the success of the mutual movement in the 1800s showed the effectiveness of a collaborative approach. The Commons Society is part of the renewal of that movement, and provides a new "container" that actively defends against de-mutualisation and de-purposing. It does this through legal mechanisms and by demonstrating in everyday life the importance and benefit of the mutual-

approach by extending the mutuality to reach between organisations, as well as within them.

We know that in western economies, we have gone beyond the point where more of the same kind of economic growth can produce more wellbeing and we recognize that government intervention alone is limited in what it can achieve. Without a systemic ^[4] change in the relationship between the different elements of the economy – between companies, finance institutions, employees, civil society organisations and communities – the economy will remain unsustainable, unstable and unfair. New thinking about generative organizational design offers new possibilities. ^[5]

2. Freeing The Commons From The Parasitic Rentier Economy ^[6]

Instead of corporations enclosing land, capital and nature and renting them back to society for their shareholders profit, we propose to "re-enclose" them – through commons-owned networks – that will divert and direct surplus to where it is needed

A commons is a way to express a very old idea—that some forms of wealth belong to all of us, and that these community resources must be actively protected and managed for the good of all. A Commons Society is a commons wealth-building society that uses the surplus of for-profit companies to build shared wealth and wellbeing.

A Commons Society is a new form of meta-organization that in a single step delivers a whole new system – of finance, ownership and distribution - by opening up and funding a new space for civil society between the state and the market to build commons wealth.

Social innovations are usually only understood after the event through experience. Socio-economic change often needs a body around which ideas and people can coalesce. The NHS is such an example. It's formation institutionalized values of care into an organizational form, and despite its challenges, it is universally recognized today as a national treasure embodying countless elements of health practice that could not have been envisaged when it was first formed.

A Commons Society can be thought of as a community-owned social enterprise network, administered by a wellbeing development corporation, structured as a mutual bank which functions as a collective wealth management system – hence the title of this paper 'A Commons "Wealth" Society'. You could say it was an economic equivalent of a decentralized NHS that delivers shared wellbeing.

Its structure potentially delivers a new level of resources, participation and sovereignty to local communities by gradually building a parallel mutual zone within the market. It uses well known existing legal structures in a practical, purpose-led configuration to distribute surplus in a completely different way – one that is focused

on building shared wealth and wellbeing rather than the accumulation of individually owned capital or assets.

3. A Structure For Building Community Wealth and Wellbeing Through Indirect Reciprocity

Ethical solutions and social enterprise are a crucial but ultimately insufficient basis for systemic economic change. We assert that the biggest breakthroughs are to be found through new forms of collaborative civil ecologies.

There is huge potential in the integration into a new relational architecture of what already exists - the unspectacular, regular, viable businesses that profitably deliver what people want on a daily basis. Every day, almost everywhere, business owners, who have successfully built a living for themselves and their employees, decide it is time to retire or simply do something else. At that point, for the most part, they have only one option - to exit the business that they have diligently spent many years creating and to abandon their staff who they have painstakingly trained - by selling the business knowing it will be run in a completely different way or likely asset-stripped, or broken up or even shut down.

Our aim is to offer a different choice by building a fund that can buy such mature for-profit businesses, give management of them back to the employees already running them – as in any employee owned company - and then distribute the surpluses from the mutually owned business network in three ways:

1. To the employees (as bonuses for creating the wealth – to create stability in the network)
2. To a business development fund (for purchasing new companies to expand the network – through an internal mid-tier investment banking service) and
3. To the host communities that the employees of the companies and the members of the Commons Society are a part of (to invest in people, shared assets, civil society and land to deliver a life enhancing context for human flourishing)

For example, if a local community Commons wealth-building Society were able to acquire companies with an annual surplus of £3million, this would enable £1million to be invested every year in that community. A further £1million a year could be used for purchasing new companies to expand the network and a further £1million in bonuses could be distributed to employees on a yearly basis. This would begin to change our culture of false scarcity into one of abundance and alter the perception on the part of customers and employees of the purpose of enterprise.

Over time communities could invest in land for food and housing, in schools, in community services and facilities, in environmental conservation schemes, in new social enterprises, in apprenticeships, training schemes or educational bursaries, in

additional health centres or whatever is seen to be a priority for the community by the membership. In short, they would invest in the human, social and natural Commons.

The Commons Society structure embodies both stability and gradual expansion. Employee owned companies are regarded as particularly stable. And by acquiring more and more companies the network gradually expands developing as a civil society corporation and economic ecology that builds assets owned in perpetuity by the society's members in a generative context for humans and nature. Because the companies remain separately managed legal entities, the failure of one cannot bring the whole mutual network down. Built into its constitution are legal mechanisms called purpose locks and asset locks of both ownership and distribution which ensure that the Commons Societies assets cannot be sold and that surpluses are invested for the purposes intended. The Commons Society retains authority over Directors remuneration but otherwise gives all power to run the companies (including the right to fail) back to the companies.

The long term aspiration of the Commons Society Foundation is not only to establish mutually owned networks of SME's but over time, as resources grow, to incorporate larger well known companies. From our own observations it is quite clear that the majority of the CEO's of major companies would welcome such an arrangement as they would no longer have to serve the two masters of short term shareholder interests and long term perspective on what is best for all the stakeholder in the business.

4. Automatic Positive System Outcomes

A Commons Society is a new regenerative form of company ownership, finance and distribution, which at scale generates a stable, sustainable, fairer economy without government intervention or change in the rules of exchange. It is a game-changing, economic architecture of systemic stewardship that can function within the market and which contains within it a mechanism for expansion and company capture. It takes for-profit companies out of the short-term shareholder-value ecosystem into one that delivers fairness and community wealth as a matter of course.

Because it is able to buy existing companies and turn them into engines of a healthier socio-economic distribution system – it acts like a white blood cell protecting from toxic invaders that potentially undermine healthy community ecosystems. A large enough network of Commons Societies would naturally change the landscape of local, regional and even national markets. They could be said to also represent an economic version of 're-wilding' ^[7] by introducing the right kind of predator into economic landscapes that have been worn down by corporate 'grazing' so other more diverse kinds of social and community enterprise can once again flourish through the diversion of flows of wealth to where they are needed.

- Politically such an institution would naturally invigorate democracy as local people would have a direct say over significant investment in their

communities – possibly eventually as much or more than local authority budgets.

- Such an organization would naturally create a new culture of loyalty and creativity amongst customers who naturally would support ‘their’ companies that provide resources for their communities.
- For the employees of Common’s companies, work itself, would become meaningful in a new way.
- And a culture of enterprise as a noble path for young people would be created who wanted to make a positive contribution to the world.

5. How can we establish such a new system?

What is exciting about the Commons Society model is that it requires only one of two things to make it happen.

- A) willing company owner/owners to bring their company into the commons by way of gift or through payment from future income flows from the business itself
- B) a fund to buy the first companies from willing sellers irrespective of their interest in the commons.

The legal structures are available, no permission is required from government and we would be using the existing systems own mechanisms to build a new system from within. As everything in our present system is for sale, for once that’s a good thing!

How can we establish the first Commons Society? We envisage an initial strategy as involving 3 stages:

Stage One

- Raising funds for the legal drafting of the Commons Society constitutional template and for a short animation to explain the model
- Applying for seed funding to establish a skilled team to bring the concept to second stage fruition
- Developing a membership community to support the process

Stage Two

- Identifying potential SME businesses that are interested in securing their legacy in perpetuity by becoming part of a Commons Society structure
- Appointing a company acquisition and finance team to identify, dialogue and negotiate the first company purchases with enterprise owners
- Establishing a commons secretariat and communications team for the support, development, management and transparency of the network

Stage Three

- Issuing a bond prospectus and video to raise funds to buy larger companies
- Bringing on board a well known major charitable foundation with expertise in the governance and distribution of substantial grant monies
- Launching publicly the first Commons Society to demonstrate proof of concept at a regional scale

6. The Commons Society Foundation

The purpose of the Commons Society Foundation is to promote economic and social change through the process of Commons Society formation in the UK. Our initial vision is to have at least one Commons Society in every region of the UK.

To do so we will raise funds to support the study, research, application and development of generative business models and practice as well as legal and governance structures that can support the Foundation's vision. To this end, the foundation has applied for status as a charitable incorporated organization. Our aim is to establish the first Commons Societies at a scale that can demonstrate the self-replenishing, stable and expansionist nature of the model so that it can be replicated anywhere in the UK and beyond.

The architecture of the Commons Society was conceived by **Sebastian Parsons** who is currently directing **the Biodynamic Land Trust**, having founded **Stockwood Community Benefit Society**, after his viable business was broken up by one of the major banks following the 2008 crash. Sebastian and Mark are part of a small team committed to developing a big vision for change.

If you are interested in helping shape and deliver this vision you can contact us here:

www.commonssociety.org

or email

joshua@commonssociety.org

NOTES

^[1] Following David Bollier, we consider that the 'Commons' can be thought of as the shared value - all the things in nature and civil society - that provides and supports a conducive context for human flourishing from which we all benefit and which we are all duty bound to protect, extend and develop for the wellbeing of present and future generations. The Commons can be thought of as every generation's birthright or legacy from the family of humanity and the natural world. How we manage that legacy is the challenge of every generation and amongst other things comprises :-

- The Earth, its atmosphere, soil and water systems and the bio diversity of the natural world
- Ourselves as bio-psycho-social beings

- Those aspects of civil society – those relational arrangements of community, economy and culture – that constitute a foundational context for all to flourish, create, learn and trade Including universal values that allow for diversity and difference through respect and reciprocity.
- The specific contextual settings, in which these arrangements are co- created and culturally interpreted, that are consistent with the unity of whole system maintenance of life.

Currently to our knowledge there are no institutions specifically designed to systematically steward and invest in this legacy at a bioregional or other level.

[2]

https://en.wikipedia.org/wiki/Tragedy_of_the_commons

[3]

<https://www.theguardian.com/us-news/2016/nov/05/the-big-con-what-is-really-at-stake-on-election-day>

[4]

For us the word “systemic” refers to a system wide design that connects the parts of a system together and regulates them in a way that maintains functionality of the system. It often does so by circulatory flows and feedback loops whose function is ‘invisibly’ operated through integral mechanisms embedded in the system to sustain it. These crucially influence the outcomes, equilibrium, resilience, longevity and nature of a whole system. In ecological and biological senses such mechanisms are often the key elements of comprehensive life support systems. In an ecological system, circulatory flows that move directionally to take nourishment to where it is needed are fundamental to supporting life - over time and between generations. Equally living systems have natural mechanisms that self-limit, self-balance and decay. An economic system that is life enhancing cannot be envisaged without designing such equivalent mechanisms.

[5]

<http://www.marjoriekelly.com/living-enterprise-as-the-foundation-of-a-generative-economy/>

[6]

Professor Michael Hudson explains the rentier economy as follows:

" The financial sector today is decoupled from industrialization (production). Its main interface with industry is to provide credit to corporate raiders. Their objective is

asset stripping. They use earnings to repay financial backers ... not to increase production. The effect is to suck income from the company and from the economy to pay financial elites. These elites play the role today that landlords played under feudalism. They levy interest and financial fees that are like a tax, to support what the classical economists called 'unproductive activity'. That is what I mean by "parasitic.... In this respect finance is a form of war, domestically as well as internationally."

[7]

Re-wilding is a concept based on the regeneration of natural ecologies by the reintroduction of the right kind of predators into a degraded or unbalanced ecology to allow natural diversity to regenerate. For example the introduction of wolves into Yellowstone National Park famously resulted in a change in the balance of power between species, the natural changing of river courses and water flows and the enhancement and diversity of flora and fauna. The process is described by George Monbiot in his book '**Feral**'.