

The Little Black Book of the Common Good

Preamble

From the very earliest of times man has lived in society, connected in one form or another to his fellow men. Whether hunting and fishing in small communities or closely connected in complex modern states, they have had to find some kind of consensus about how they want to be as a society. When they can't agree they break away or go to war.

For generations in recent times people have accepted that the context which works best for them leaves the big issues of security, foreign affairs, taxation and welfare to the State; others like trade, business and finance to the Markets; and the rest to Civil Society to work out for itself.

That civil sector has come under intense pressure from the other two. It is made up of many different institutions and interests. They have a higher purpose than profit or political advantage. We call them schools, universities, hospitals, guilds, churches, building societies, science, law and so on. Typically they have barriers to entry which ensure high standards and are self-governing. They are vocational and local rather than contractual and mobile. They have a long term vision, a duty of care to members and work on the principle that good relationships produce good results. As a result, they create trust and commitment to a shared purpose.

They also do something else, which is very important. They act as buffers between

individuals and their local communities on the one hand, and the tendency and power of the state to centralise, and markets to commodify and monetise, whatever comes into their respective orbits.

Recently that buffer of civil society has been grossly eroded by both state and financial markets. Universities and hospitals have become commercialised. Public broadcasting is forced to appeal to mass audiences to get funding. Climate scientists witch-hunted for being off-message. Nature has been monetised. 'Belonging by earning' comes second or last in business decisions. Work is increasingly seen as a contract not a relationship. The short term trumps the long. Trust in leadership in all sectors has evaporated.

This is not the society that many people signed up for. It is not sustainable, coherent or cohesive as it stands. It needs urgently and fundamentally to shape a new idea of itself and revisit and revitalise the institutions through which it works.

This Little Book seeks to do two things. First to sketch out a sense of what that new 'idea' might look like, and second to suggest 'ways' in which the key institutions, which determine how society actually works, could incorporate both the concept and the practice of a 'common good, broadly conceived' without losing their foundational purpose.

CONTENTS

The concept of a new 'covenant' between the State, Markets and Civil Society and the institutions required to render it active are outlined in the following chapters.

They are not comprehensive or exclusive, but they do embrace the main agencies of action.

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The ideas in each of the chapters have universal significance and application.

The sections on the House of Commons and the City pertain specifically to the UK.

THE STORY OF THE COMMON GOOD

WHAT IT IS

This Little Black Book has its origins in the work of the Common Good Foundation. Its mission is to develop the ideas, institutions and relationships of an alternative political economy to the present reality, where state and financial market models are dominant, interests have become polarised, and trust in political and business leadership has been lost.

These are the morbid symptoms of a society which is not working at the most elementary levels of respect, sustainability and shared purpose.

Statecraft has been usurped by markets and ideologies. Political conversation has been reduced to dogma, threats and showmanship.

The pluralism of democracy has been traduced, and with it the self-correcting capacity of society to renew itself and achieve its highest potential. There is a clear and present danger in this corrosion of public and private virtue.

Against that background, this 'little book' is a precursor to a more fundamental, ongoing work by the Foundation. The idea is borrowed from the classical poet **Horace** who felt compelled, as trust and identity collapsed around him in ancient Rome, and interests became nakedly polarised, to describe the values and institutions through which he believed society could base its renewal. He did this with the exhortation 'Go little book, tell them this story....'

The story of the Common Good in this little book is not new. It has deep roots based on

the belief that society is 'better' when the powers of the state and of financial markets are counter balanced by the virtues and intermediary institutions of a strong civil society.

It is not a third way between state and markets. It applauds and actively promotes the pursuit of 'self-interest' which is broadly conceived and openly negotiated within a politically agreed framework. But it seeks respect and alignment between them and elevates the virtues and institutions of civil society as counterweights to the centralising and monetising forces of the state and markets. Their hollowing out has resulted in the commodification of nature and labour, the loss of 'belonging through earning', the weakening of local institutions, and the priority of short term transactions and immediate gratification over relationships and renewal.

Gramsci describes an interregnum as a time 'when the old is dead but the new cannot be born, when there is a fraternisation of opposites and all manner of morbid symptoms prevail'.

This works as a description of our times and this Little Book tells the story of the morbid symptoms which presently prevail, and how an alternative society based on Common Good institutions can be brought about.

THE WAYS & MEANS OF THE COMMON GOOD

During an interregnum the old ideas and institutions no longer work. Pressure points build up and extremes agitate for disruptive change. History tells us how dangerous that can be if political leadership fails to do its job of inspiring a sufficient renewal of social imagination and coherence of identity and shared purpose.

This is the present reality.

Large elements of the electorate have become disaffected with the concentration of power and the centralisation of the present political economy, its inequalities and the two-party lock-down imposed by the 'first past the post' voting system. They feel 'left behind' and 'left out' of the political conversation which underpins democracy.

A new conversation and a new consensus need urgently to be established.

This book describes the centrality of the Common Good to modern democracy and outlines the changes in ideas, institutions and processes necessary to underpin renewal and restore a balance in society which is simultaneously open to new sources of knowledge and productivity, yet robust and compassionate enough to combat the pull to political extremes. The aim is a bold one, no less than the rediscovery and shaping of a new Political and Economic Consensus

The central idea of such a new intergenerational agreement or

'covenant' with the people is that democracy is not exclusively contained within the State or markets. It resides equally in the power of local communities and civil institutions to govern themselves, acting as a counter point to the dominance of the state and financial markets and thereby holding them to account.

Its development will require new frameworks of thought and action at three levels:

First, is the need for the ideas to create the intellectual foundation for a new political economy anchored in an enhanced role for civic society alongside markets and the state.

Second, the reform and development of institutions to embed the concept of the Common Good, which both honour the inheritance of traditional knowledge and practices and embrace the reality of new external forces and changes in knowledge.

Third, practical initiatives which demonstrate the processes and benefits in terms of well-being and productivity of a negotiated consensus between polarised interests, which initially frame themselves as being in opposition to and exclusive of the other.

These are the ways and means to secure a society based on the Common Good and renew the plural governance of modern democracies. Democracy that is not exclusively the domain of state and markets.

THE FUNDAMENTAL FLAW IN MODERN STATECRAFT

The most basic measure of a society is its ability to produce private and public goods to standards which enable it to create jobs and value in international and domestic markets, and at the same time renew its imaginative capacity and social coherence.

These are the building blocks of the Common Good.

It follows that the job of statecraft, and leadership at all levels, is to achieve these dimensions of a 'good society' and maintain them in a state of constant renewal. Both dimensions are under intense pressure.

Two models presently dominate thinking about how to do that. **Keynes** provided the framework for a policy driven, centrally planned economic system; **Hayek** argued that what people really wanted was only knowable through individual choices, discoverable through market prices.

This dualism contains its own fatality, the alternating threats of a domineering state and an over mighty market.

The fundamental flaw in this dualism for statecraft is the absence of any mediating principle between state and market. There is no place for the decentralised intermediate institutions that traditionally held the balance, upheld the traditions of virtue, of excellence and of trust, and provided capacity for the plural governance of society by non-pecuniary bodies.

In this clash of markets and state, civil society has been hollowed out and the virtues of reciprocity, duty, trust and relationships have been lost. Respect for the internal goods of nature and belonging through earning have been displaced.

They have been replaced by legal contracts, entitlement, transactions, and immediate rather than intermediated satisfactions. Labour and nature have been commodified and monetised. Communities have been dispossessed.

The result has been the polarisation of self-interests narrowly conceived, deep electoral disquiet at exclusion from the political process, distrust in business ethics and anger at the impunity of disproportionate reward systems. Loss of identity and incentives to vice have fuelled the rise of dogmatic extremes. The energy for renewal has been dissipated.

The balance of society between the state, the financial markets and civil society has been profoundly disturbed. The integrity of 'politics' in its fullest sense of continuous and open conversation and choice between interests with different objectives has been corroded.

Horace would have recognised the menace that resides in that collapse of trust and identity.

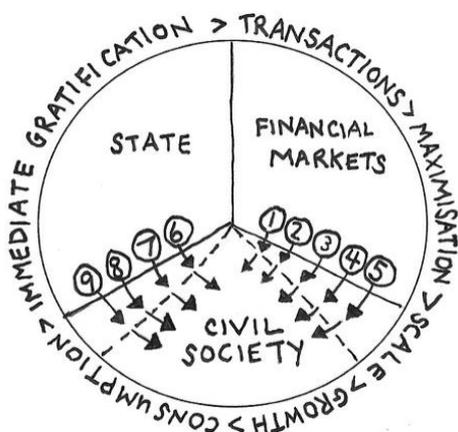
THE CENTRALISING FORCES of STATE and FINANCIAL MARKETS

The forces of the state and financial markets have radically changed in the last thirty years, particularly since 'big bang'.

Government since the post war period has retreated from statecraft, reducing its domestic role to taxation, security and regulation, increasingly using methods which mimic markets to nudge behaviour and influence corporate policies.

Financial markets have stepped up to provide alternative solutions to fill the policy space and do much of what the civic sector previously did through independent local institutions.

As a result, the map of the political economy now looks like this:



1 = care homes 2 = pension security 3 = wholesale mortgage trading 4 = the corruption of corporate governance 5 = overseas acquisition of jobs, skills and dividends 6 = student fees 7 = deficit of nurses 8 = estrangement of the labour force 9 = the impunity of top reward systems.

* The numbers in the diagram represent some areas of intrinsic value which have

been colonised, with self-evident damage. They are not exclusive.

The institutions and values of civic society have been squeezed remorselessly by this dualism to a point which is fatal to the sustenance and reproduction of the common good.

In the process 'internal goods' with intrinsic value, such as location, vocation, relationships and sustainable productivity based on practical and inherited skills have been devalued. They have been replaced by 'external' values such as mobility, transactions, and fame which can be monetised and traded.

In terms of capital, while there is evidence of a wider diffusion of ownership of assets there has been simultaneously a concentration of the power of decision making within the institutions, which set the mandates and time frames for investment.

Political ideologies based on the pre-eminence of the individual have encouraged and colluded in many arenas with markets, resulting in the centralisation of power and 'market' mechanisms being substituted for political institutions and values.

In opposition to that trend left wing ideologies based on the collective are agitating to re-centralise state control over key sectors of the economy.

Neither ideology empowers nor embraces the independence of robust intermediate institutions, or national and community renewal.

On top of that Brexit has profoundly disrupted the old alignments, asking new questions about political identity without redressing the old dualism of state and markets.

Ever present in the background new sources of knowledge, particularly in its new form of distributed intelligence and transferable skills, pose even more fundamental issues of social cohesion and relationships.

Yet more fundamental still in its extreme urgency is the war of ideas and emotions being fought about climate change between science and sceptics, where the ground rules of democracy and global governance manifestly do not work.

Together these conflicting forces of ideology and values, Brexit and Union, 'big data' and technological democracy, climate change and denial, constitute a singularity in history. It can be used in one of two ways. It can be used either as the opportunity to rediscover a public space for negotiated consensus between polarised interests, or to accelerate the rush to new forms of extremism in economic reward and political positions.

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WHAT NEEDS TO HAPPEN TO REBUILD THE COMMON GOOD

Four fundamental things need to happen.

The first is a re-formulation of the norms and ideas which make up the new 'covenant' by which society works and sustains itself over time.

The present framework is more of a 'contract'. It assumes the aim of society is the growth of private goods at the lowest possible cost using the resources of a 'free commons'. Human beings and nature, knowledge and place, are treated as commodities with a value to be discovered through market price.

A future 'covenant' would prioritise public goods alongside private, citizens as well as consumers, and resilience above lowest cost. The three natural forms of capital – knowledge, people and nature itself – would work together to embrace and constrain financial capital in the production and distribution of value.

The second thing that needs to happen is the development of robust institutions with the power to mediate community and natural forms of capital from state and market pressures to preserve a balanced form of society.

In times of radical change in political, technological and demographic forces, only institutions with their inheritance of knowledge and its skilful application can embody and reproduce the practices which assimilate and permit adaptation to new knowledge.

Aristotle and **Polanyi** describe institutions as the 'embodiments of human meaning and purpose'. By surviving they have learned to reach backwards to enshrine

and perpetuate tradition and inheritance as well as forwards to shape and incorporate the understanding of new knowledge.

The complexity of modern society challenges existing institutions at all levels to be part of a new plural governance, diverse and robust enough to underpin innovation, value creation, identity and belonging. This challenge asks new questions about the internal governance of corporate, financial and state institutions and their ability to negotiate reciprocity with external interests, each with their individual and valid sense of the 'sacred'.

It also requires the creation of new and rejuvenated institutions in a variety of sectors – vocational, academic, banking, pensions, professions, faith associations and, not least, subsidiary political structures embedded in local space.

The third need is for civic initiatives that explore the will and give agency to practical ways of bringing polarised interests together in a search for a new 'common good, broadly conceived'.

All three things - new ideas, new institutions and new initiatives - require ways to be found and processes developed for negotiating in good faith for potential common action in areas which are instinctively conflicted. Ways which both respect and sustain the sense of the individual 'sacred' but acknowledge equally the need to 'share the waters' which are common to all human purpose and inspiration.

Finding these ways is intrinsic to the purpose of the Common Good.

THE WAY of the IDEA

Ideas shape our sense of reality and our understanding of society. They have very long shelf lives. When they function well in organising reality they dominate how society thinks about itself and the ways it adapts to realise its aims.

When their predictive power and practicability start to unravel problems emerge which highlight the need for a new way forward.

When the discontinuity becomes large 'morbid symptoms' will prevail and polarisation of ideas and interests will gnaw at identity and productivity. Until a new way forward is adopted there is confusion over a whole range of issues. This is our present state.

The key explicit or implicit assumptions of the present way are:

- the world is sparsely occupied with manageable bio-physical limits
- the 'commons' and nature is therefore a free commodity
- labour is a mobile commodity to be monetised and traded
- corporate governance excludes nature, knowledge and place as foundational goals
- individual profit maximisation models lead in sum to the common good
- risk is linear, calculable and containable
- citizens are consumers
- political governance excludes statecraft in democracies

These assumptions are manifestly no longer adequate and reality needs redefining to reflect the build up of pressure points with the potential for

disruptive change and unnecessary suffering. New assumptions would include:

- The carrying capacity of the world has already been far exceeded
- Nature has intrinsic survival value beyond economic calculation
- Labour has a profound interest in the long term well being of the company
- Modern corporate governance should reflect the plural sources of value and risk
- The common good requires robust citizens and institutions as well as efficient markets
- 2008 demonstrated the potentially catastrophic nature of systemic financial risk
- Climate and public health systems are infinitely more complex and dangerous
- Identity comes from belonging and relationships not from consumption
- Statecraft is not optional but vital in democracies
- National leadership transcends political parties and is dependent on a new consensus

These new definitions of reality have profound implications for the way society works and the institutions needed to balance markets and state power.

The goal of national renewal is urgent and requires the development of a new political consensus on what can be best achieved through the co-ordination of wants and values by the price system, and what by politics through transparent public conversation and co-operation.

A new 'settlement' is central to a way forward that avoids dogma and polarisation.

GETTING FROM 'HERE' TO 'THERE'

It is very difficult to describe 'here'. There is a lot of history along the way and we all have different angles and perspectives on what we experience.

How much more difficult then to describe 'there', a place where we have not been and there are no footprints yet to follow.

Still, for the future we know how to use scenarios to describe a range of potential worlds for which there is an emerging logic. For the past we can use the power of recent events as our lens to focus on what is working and what is not.

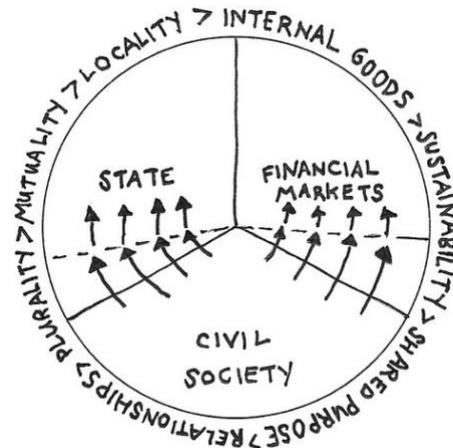
The 1st Enlightenment bequeathed us the prospect of constant progress based on reason, science and individual freedom. At the same time the potential for catastrophic risk was being baked into the technology, the values and the institutions of a 'certain' and 'untempered' future.

Events since, in the forms of wars, revolutions and economic collapse have revealed a very different reality where complexity, uncertainty and competition have formed the new paradigm. The crash of 2008 showed that modern networks of risk are systemic and that the appealing logic of rational markets can be subverted at the expense of the taxpayer and future generations.

However, an emerging 2nd Enlightenment suggests a pathway from 'here' to 'there'.

Features of the paradigm we have 'now' include a vision void, two party entrenchment, a dominant political Executive, competition as a virtue in its own right, increased consumption as a priority, ever higher volumes of short term transactions, debt fuelled growth, and

centralisation of power. A new reality of political economy would look more like this:



Emerging features of that reality would include a plurality of governance institutions, greater subsidiarity, a radical refocus of resources onto sustainability, communities based on local relationships, a pro-active Commons & Lords, affirmation of the supremacy of law, regional banks focused on local economies, faith involvement in civic life, co-operative business models, longer term vision and coordination of investment in public goods.

That journey can come about either through extreme disruption by 'senseless agencies' in **Whitehead's** terms, or by 'mindful agencies' combining the deliberate endeavours of individuals and institutions in their purposeful renewal.

Can the Executive, the Commons, the Lords, political parties, unions, the City, and corporations find the will and the way for the necessary transformations, which is the stuff of 'real' rather than 'party' politics ?

REPRESENTATIVE DEMOCRACY

Democracy is the root practice which nurtures all others in a plural society of complex and competing interests.

Its vital parts are: -

- the power of the people to grant and withdraw power
- Courts truly independent from the Executive
- the right of Citizens to sue and to leave an oppressive state
- inspection by a free Press of the political process

These parts form an organic whole. They cannot be mimicked or implanted piece by piece. They need the support of constitutional law and convention to survive.

Ultimately they rely on respect and social forbearance to avoid political competition descending into warfare, and institutions turning into weapons.

We are fast approaching that place of descent.

Constitutional turmoil and long term disengagement by the electorate suggests we are near what **Zweig** calls a 'sternstunden', a singularity that decides events for decades or centuries to come.

The bombardment comes from: -

- the 'non-represented' in the 'first past the post' system of voting

- the 'outraged' at the casual use of ill prepared referenda for fundamental constitutional issues
- the 'gobsmacked' at the omnishambles of Brexit implementation
- and, not least, the economically and socially dispossessed outside the S. East

These are dangerous holes in the political 'jacket' of the democratic process, but there are other deep lying issues also agitating for radical reform.

The 'trousers' beneath the jacket are the economy. There, the disengagement of the wider workforce from 'belonging through earning' and 'exclusion from participation' in the direction, values and output of the firm, are dangerous rents in the economic democracy which underpins the political.

And beneath the trousers are the 'boots'. Well worn by an Army in support of legitimate political authority, and equally by 3rd sector activists, the advance troops who challenge and refresh the mandates of the state and markets.

But never by violence.

To avoid that the Common Good requires a much deeper and more extensive political process than we have at present with space for strong local political assemblies with the powers to plan for local neighbourhoods and the financial ability to execute.

THE VOTING SYSTEM

The UN Declaration of Human Rights asserts 'the will of the people shall be the basis of the authority of government'.

In a representative democracy that will is converted into power through the voting system. If there are defects in the way it works, there will be a democratic deficit of a greater or lesser order.

The deficit in the present system has been long recognised and well analysed.

The two big political parties are broken. Membership has been declining for a very long time. The Labour Party had 1 million members in the 50's now down by half. The Conservative Party has suffered an even greater decline, down from 2.8 million to 150 thousand over the same period.

That collapse in membership is incompatible with a 'first past the post' voting system, which is good at wasting votes and getting better at it, but not at reflecting plurality. There are no prizes for coming second. The winner takes all.

The overriding advantage of the system in the past was the ability to do just that and deliver single party majority government reflecting the broad will of the people.

Whatever the results of particular elections under the 'first past the post'

system, increasing polarisation, the demand for devolution and deep rooted issues around 'identity', 'faith' and 'Brexit' make that broad will more and more elusive.

The complexity of the global economy and the increasing plurality of interests fit badly with the old binary ideologies of 'the individual' and 'the collective'.

The immediate result is 'unrepresentative' democracy where elections are being dominated by single issues and decided by people at the extremes.

Statecraft is impossible when leaders are held hostage by a very small number of members and alternative voices threatened by deselection.

The most urgent need is to restore to the House of Commons its ability to reflect and represent the will and aspirations of the electorate as a whole.

That means more multifarious politics, more coalitions, more differences and new voting systems.

The House of Lords would be preserved from the clamour to mimic the elected character of the Lower House. Its virtue lies precisely in its ability to take a longer view and to give voice to civil institutions outside the political and market spheres.

THE THREAT BAKED INTO THE HOUSE OF COMMONS

A complex society restricted to choosing between two parties with opposed ideologies once every five years is likely to leave many voices unheeded at Westminster.

Modern statecraft requires the very opposite of that, the art that **Oakeshott** called 'keeping the ship afloat', the continuous pursuit of consensus between interests that perceive themselves as polarised.

Two parties with conflicting mandates, confronting each other in the House of Commons, are not best designed to discover that consensus. Having taken possession of power at a general election the majority party hands it on to the Executive.

Thereafter their primary job is to protect the Government by providing safe passage for legislation brought before them, until the electorate decides to withdraw its mandate.

Power, as a result, becomes entrenched between elections, not renewed and renegotiated.

This, at best, is 'oscillation' politics.

For the Commons to properly represent the differing views and interests of the nation as a whole it must reflect those differences in its composition and practise

the demanding arts of 'consensus through coalition'.

The first past the post system cannot do that. **Aharon Nathan** makes a powerful case for reforming representative democracy through a system of Total Representation, retaining the constituency affiliation of members, but reserving a number of seats in the House to represent the scattered votes for smaller parties, which are currently 'wasted', and balance the binary nature of the House.

The collapse of the present voting system is starkly demonstrated when the Executive in office does not possess an overall majority in the country or the House, is reduced to clinging to power by 'purchasing' support from a temporary ally, at a time of constitutional convulsion.

This is not statecraft. It is political expediency in the interests of party.

The Commons has got better at inspecting and publicising issues of public concern through cross-party committees. The inspection and inspiration of government has not. It remains the job of the opposition to attack and the party in office to defend.

That fault-line is baked into the voting system and needs rectifying.

CAPITALISM

The price system, operating through open markets, discovers the will of the consumer more effectively than the voting system discovers the will of the electorate.

Its brilliance is to match the demands of millions of individuals with the willingness of thousands of firms and entrepreneurs to commit their ingenuity and risk their capital in their provision.

They do this through the pricing mechanism.

This 'invisible hand' of markets has straightened a billion backs, funnelled capital towards changing tastes, and created hope through work, where there was previously despair.

The achievement of tempered capitalism in lifting the tide of material well being worldwide is astonishing. It is a critical part of the Common Good.

But it also has grievous defects, which are well documented.

- first, it has no moral compass and destroys vast amounts of value through its own irrational exuberance and greed
- second, the management of capital has become excessively costly, centralised and unaccountable, detached from the savers who provide it.

- third, markets substitute 'price' for 'value' in areas which should not be monetised
- fourth, markets are unable to discount for the long term
- fifth, global markets are political and do not recognise the same factor costs for labour or the environment
- sixth, markets encourage gross inequality in both decision making and rewards
- seventh, standards are eroded (**Sennett**), reciprocity and relationships replaced by transactions, and location and vocation are undervalued.

The resulting charge sheet is long and serious. Ecocide, incentives to vice, alienation and monetisation of the sacred. These constitute GBH to society not mere misdemeanours.

The extraordinary success of capitalism has been achieved at the unacceptable expense of hollowing out civil society, the destruction of social inheritance and public infrastructure, and incentives to vice in its reward systems.

To preserve its virtues, the institutions of market democracy need to step up their game dramatically. They include the City, corporates and their governance, unions, regulators and the ring masters of local enterprise.

THE CITY

The City of London is the jewel in the UK economy. By any metric it is outstanding as a global financial eco-system intermediating savings and investments.

It justly boasts the skills and integrity of its financial institutions supported by a platform of law firms, accountants, actuaries, pension funds and other professional services necessary to execute global transactions.

Above all it provides confidence and liquidity in depth.

The City didn't just happen. It has stood at the hub of a global maritime economy for centuries and excels at discovering opportunities in financial markets where the rates of return are high.

Perversely the global excellence of the City masks the under performance of the domestic and regional economies.

There are three major facets of the jewel which require resetting.

The first is the hollowing out of domestic financial institutions since 'big bang'.

Not a single regional building society, embedded in its local economy, remains autonomous.

The ICFC has been privatised and converted from lending to SMEs to focus on buy-outs. Bank lending is in decline.

As a result, the regions are grossly undernourished.

The second is the conflict of interests which occur in conditions of sustained success and oligopoly. Woodford typifies the problem of transparency and boundaries.

The third is insidious and lies at the heart of trust in markets.

High returns in the financial sector set standards for the foundational economy which fan the natural promiscuity of capital, erode long term investment, create incentives to vice and sustain 'sticky' margins (**Kay**).

What is required to re-assert common good economics in financial markets ?

- the creation of regional Banks of England for civic local investment
- retail banks offering relational services to local communities
- restructuring to unpick the cost chain between savings and investment
- pro-active regulation of investment offerings

The 2008 crash highlighted the need for a new civic ecology which is not dominated by capital or the state and fosters incentives to virtue in financial institutions and corporates.

THE GOVERNANCE OF CORPORATIONS

The forces determining the future governance of corporations will continue to prioritise higher material standards of living. The astounding productivity of the Industrial Revolution has lifted 80% of the world's population out of poverty and given hope where there was only bleakness.

The prime agency for that has been public companies using private capital.

Their governance is therefore crucial.

Because capital is, in its nature, promiscuous, Boards of companies have learned to pay great attention to the financial expectations and time frames of shareholders.

The firm as a monetised entity controlled by its 'shareholders' remains a fundamental assumption of economic theory and practice.

With limited liability in 1855, managers were no longer personally liable for failure. Shareholders have therefore progressively introduced Codes and Regulations to constrain executive freedom.

As a consequence, compliance has become a second vital role of corporate governance.

Now, new questions are being relentlessly asked about the purpose and governance of firms, beyond profit and compliance.

From **Aristotle** to **Amatya Sen** the purpose of community and all its agencies has been the highest possible fulfilment of human potential consistent with maintaining order. The job of leaders at all levels being to maintain the conditions of renewal necessary to achieve it.

The emergence of 'knowledge' and 'nature' as vital co-producers of value impose two new roles on Boards far beyond meeting financial objectives and compliance.

Corporate strategy at this higher level becomes the 'optimisation' of a plurality of purposes, more inclusive and complex than profit 'maximisation' alone. The key questions are;

- How to give the workforce a relational interest and accountability in the firm?
- How to honour nature and community as 'internal goods' with a sense of their intrinsic and sacred value ?
- How to ensure an inheritance of skills and vocation which encourages and domesticates new technology and knowledge?

'Common Good' corporate governance in this context becomes a negotiation between mutually dependent functions, internal and external, in the search for an abundant harvest of reciprocal 'common goods'.

BOARDS AND TOP MANAGEMENT

Most Boards perform well on financial performance and compliance.

The record is not spotless. RBS and Northern Rock were consumed by irrational exuberance; Arcadia is ridiculed publically as 'the nadir of corporate governance'. But, running a company is not straightforward. CFOs can hear the constant drum beat for profit growth. Competitors get in the way of the best laid plans. External Directors are reluctant to take on the CEO. They already complain about demands on their time.

So is it realistic for Boards to engage with nature, knowledge, community and the workforce in their agendas?

It is, because self-interest demands it. The key does not lie in structural change. It does however demand a different kind of Board thinking that starts outside the company in the political space actively demanding re-negotiation.

What **Wack** meant by the 'gentle art of re-perception' was precisely this ability to see clearly the external threats and opportunities on the outside, unfiltered by how you might prefer them to be.

And it inevitably means new skills for Directors and especially the Chair, supported in their task by dedicated staff for Board members.

Structurally 'two- tier' Boards are more suited to 'co-create' value than unitary boards, but they have no legal or cultural base in the UK.

The case for introducing unitary Boards more overtly aligned to shareholders is flimsy. Fund managers know little about running a complex business. They already have clout, and their own perceived interests have frequently led to value destruction in the past.

The case for workers on Boards is stronger. It goes to the quest for shared purpose and enhanced productivity through engagement and the feedback of worker knowledge. However, it has the same intrinsic flaw. The interest of a 'representative', by definition, is narrower than the well being of the company as a whole.

Yet the problem remains. How to ensure the plural interests which make up a firm are invested in the long term productivity of the firm, without disrupting its capacity to be competitive ?

A 'common good' start would be a stakeholder committee, including representatives of employees, customers, suppliers, pension funds, shareholders and community groups.

They would sit alongside and interact with Boards with the right to be consulted, but without a power of veto, on the balance of foundational goals and specific major decisions affecting the long term interests of the business, without offending the unitary principle.

NATURE and LITTLE EARTH

Mankind lives at the bottom of a deep gravity well, on the surface of a gas-covered planet, going round a nuclear fire ball 90 million miles away.

If we think about it at all we think that is normal and have learned to cope by first conceiving God, then by domesticating ourselves, and the millions of species of fauna and flora, which share the planet with us.

This is how man became the 'apex animal' by learning to co-operate first with himself, then with other animals and with his environment.

Not much happened for a few thousand years until the Enlightenment when humans entered a new land. Reason and science, rather than faith and hierarchy, became the basis of the new social order. Politically, individuals and companies were set free to pursue what the law did not expressly forbid.

The language of the new land was economics. Scarce resources would be directed to where they were most highly valued by the 'hand of the market'.

The 'ends' would be discovered by the prices people were prepared to pay. The resulting growth was hugely beneficial to

the hopes and material well being of millions of people, not just in the West.

Innovation, contractual rights and the use of fossil fuels generated a long cycle of advancement and trade. The conviction grew, buttressed by science, that progress was inevitable in the new land.

But it wasn't. Quite the contrary.

Exceptional growth in the numbers and appetite of people overwhelmed the carrying capacity of the earth. Planetary boundaries were transgressed. The balance between humans and nature was disrupted. Competition replaced co-operation as the over arching practice.

The assumption that nature was a commodity without a price was not tenable.

Forests were destroyed, soil impoverished, species eliminated. The planet began to bake. Stern in 2006 called this the greatest ever failure of markets.

It was, but it was much more than that. It was a failure at the heart of statecraft and civil society in the face of domineering markets.

Humans had turned co-operation with the eco-system that nurtured them into an unwinnable conflict.

The common good had been trumped by markets.

THE DUSTMAN FROM UR

Ashok was the first dustman of the civilised world in Ur, the trading centre 5000 years ago in Sumeria and, according to legend, the birthplace of Abraham.

He despaired at the ever growing mountain of rubbish he collected. There had been plague in the city and the citizens of Ur were loud in their criticism of the stench that filled the air.

‘Not in our backyard’ was the message.

Quietly at night he began tipping the refuse directly into the river, and the outcry abated.

A month later a punitive raiding party from the village downstream took hostages and demanded retribution.

Ashok was once again under fire. He had tried to offload the problem but that hadn’t solved it. For a time, he had stopped it growing as fast as before but now the refuse kept coming and coming.

He became deeply depressed and, as sometimes happened when he was most stressed, voices came to him in the night.

This time it was the, as yet, unborn composer **Arnold Schoenberg** who pointed to the eraser at the end of his pencil and said “this end is more important than the other”.

Ashok pondered what this might mean. The next day as he passed by the houses marked with the sign of the plague, he suddenly felt a little light go on inside his head.

Aha! They put nothing out for collection because they took nothing in! The supply chain stopped at their door. The problem was rubbed out at source.

That night, as an experiment, he marked the doors of the worst offenders and they in turn soon stopped putting out rubbish. No one wanted to deal with them any more. They were ostracized.

Legend goes on to say that after 32 days Ashok relented and erased the signs.

Life returned to normal, but with a difference. Those who had been deprived lost their appetites for conspicuous consumption. They emerged from isolation, as if into a new land, with a new idea in their heads.

They argued in the forum for a different kind of consumption and the sacred value of ‘nature’.

They spoke a new language.

They became the new leaders and Ur prospered.

PLANETCRAFT

We have not yet learned the wisdom of Ur. We are not very good at dealing with long term, systemic issues. We prefer to put our finger on something specific, something manageable.

The human instinct is to wait and respond to crisis as it happens, as when the hole appeared in the ozone layer. Solving that required complex co-ordination of technology and political will.

We did it, but that was a project. We are good at projects. What we have now is a million projects rolled into one giant systemic and reflexive problem. As a result, human development is in conflict with the very eco-systems which sustain it. We are at war with our environment and therefore with ourselves.

Societies die either because they can't see a problem when it stares them in the face; or when they finally bump into it, they can't act robustly enough. They accumulate problems like 'bugs' faster than they can apply 'patches' to solve them.

We are like that now. We are applying patches to systemic problems. We have the knowledge of what to do, but the action required is beyond our present capability. Knowledge is not enough. To change a fundamental direction, the propulsion to act differently has to be greater than the momentum to carry on as usual.

We know that carbon dioxide levels in the atmosphere were 280 ppm prior to the Industrial Revolution and are now above 400 and climbing at 2 ppm every year.

We know the rise is unprecedented in the last 10,000 years, and we can presume, even if we can't prove causation, the prudence of reducing the carbon intensity of our economies.

We know we have somehow to disrupt the disruption we have already engineered. The problem is we don't have the statecraft at national levels, let alone the planet craft at global levels, to do what has to be done.

We have entered a new land which requires new energy and a new idea of human purpose based on custody not ownership of nature, of preservation not consumption, of future well being not immediate gratification.

Impending, irreversible horror needs more to be done than the valiant incremental steps of the many thousands who already 'get it'. It also needs a global conversation and consensus about three giant steps of common action now: -

- 3 thousand 'caesarean' operations on the most environmentally offensive legacy business models
- 3 billion 'next' people avoided
- 3 trillion investments into energy R & D

The institutions are not there to do that. Nor is the will. Nor the forum for public discourse. But like it or not, we are in a new land. It requires a new wisdom, new political machinery, new leaders, new democracy and a new, natural language of the 'sacred' at the very heart of the economic. How to do that is the most complex question humankind has ever faced.

REASON & FAITH

“We are what we think. With our thoughts we make the world”. **Buddha** 600 BC. “All things are a matter of opinion. Men imagine Gods in their own image”. **Xenophanes** 600 BC

Ideas obviously count, but they also always have a context.

One of the most explosive contexts for ideas since the emergence of man 1 million years ago, was the sedentary revolution which sustained the domestication of plants and animals.

This came very late in the ‘line of life made by walking’ and gave birth to new concepts such as heritable property, farming and oneness with God. Each concept had profound consequences for the way society organised itself and the laws it chose to live under.

A plurality of religions grew, split, spread and competed with their own pathways to the ‘divine’ and their own internal sense of the ‘sacred’.

Faith was a compelling force in society alongside politics and markets.

With the Enlightenment faith gave way to reason, rejected as an archaic relic of pre-modern societies, a source of division within polities.

The claim, however, to moral and political authority made by unconstrained rationality turned out to be tragic and unreasonable.

Without tradition there was no mediation between competing interests.

Without institutions of the common good no resistance to the commodification of nature and work. Without civic wisdom no respect which is not contractual, no relationship not monetised, no duty which is not self-interested. The most terrible deeds were committed in pursuit of different ideologies. The modern Golgotha was in the very heartland of the Reformation and the Enlightenment.

Political utopias became taboo. Economics became the new fundamentalism. Capitalism became the ascendant idea. It opposes social bonding and proposes inequality. Its energy is unparalleled but it has no moral compass. At core its values are greed which individualises, mobility which separates, and ‘short time’ which becomes impatience and intolerance.

The Reformation at its extreme was also impatient, in its case with ‘sacred’ time, excessive rituals and hierarchies which stultified.

Now we have a new context. It took nature 1 million years to create the fossil fuels we consume each year. **Heidegger** feared the fundamental character of ‘dwelling as sparing and preserving’, would be destroyed by the bomb and technological frenzy. Reason had turned out to be hostile to itself, to reflection, purpose, mutual concern and social reciprocity.

The glue of mutual dependency in the common good is absent.

Wisdom has a new urgency.

KNOWLEDGE and WISDOM

T.S. Eliot asked 'where is the knowledge that resides in information; where is the wisdom that resides in knowledge?'

This is the global age, the age of Aquarius. Especially global communication. 'Big data' is hot property, attributing value to everything about us, our tastes, our behaviours and our political preferences.

The Enlightenment bank-rolled the knowledge that is in data.

Science gave us unprecedented improvement in our material lot. It also gave us unprecedented killing power, consumerism, mobility and environmental destruction.

Critically it gave political authority the tool kit to centralise power in society and denude the provinces of vitality and purposeful engagement.

Democracy became consumer government. Policy became restless and fickle. Time frames became shortened. People became intolerant. Trust eked away.

So we have an era of blandness. What **Ezra Pound** sensed in the 30's as 'a tawdry cheapness about to invade our days'.

At the same time, we have modes of warfare in the hands of national governments which invoke **Krishna**. 'I am become death. The destroyer of worlds'.

Goethe chose injustice to disorder, because the former is repairable. Soil isn't. The atmosphere isn't. Hope foregone isn't. Trust casually misplaced isn't.

We risk those things at our great peril.

The justice of the 'common good society' resides in its quest to temper knowledge with wisdom, to find the line of beauty in place, in work, in relationships and in reflection. Something to which you can 'beautifully belong', its beauty lying in its capacity to adapt and to preserve.

It resides in the balance of ideas and institutions that resist authoritarian solutions whether imposed by markets or a centralised state.

It honours the plurality of creeds and colours.

It separates faith from the political domain and engages actively with it in the community.

It recognises that thinking is difficult because old thinking resists new narrative.

It therefore values above all the public space for conversation, where different voices can sing different songs and gain dominion, like the great rivers and seas, by being lower, not higher, than the lesser streams.

THE COMMON GOOD FOUNDATION

This Little Black Book sets out the fundamentals of the ‘common good, broadly conceived’.

The mission of the Foundation is to build and deepen the ideas, institutions and relationships of a new political economy, which enables interests with different ends to forge a shared notion of mutual betterment.

We believe that plurality of diverse interests best underpins a creative and productive society.

We also believe that dependency is our common human condition and, when interests become polarised, there is a loss of mutual flourishing.

Our aim therefore is to create an active public space for discourse and action between interests which are presently polarised, in pursuit of the ‘common good, broadly conceived’.

To that end we are;

- developing the intellectual foundations for a new political economy based on relationships and reciprocity over the long term
- exploring the ways and means to adapt and develop institutions to mediate a better balance and cohesion between markets, the state and civil society

- and we are working directly with interests who want to incorporate a ‘common good’ dimension in their foundational objectives and adapt their norms and behaviours accordingly.

In practical terms, in addition to creating a new ‘idea’ of society supported by reformed institutions, we are actively developing ‘civic initiatives’ in business, faith, guilds, unions, governance and politics, and the attendant processes of ‘civic diplomacy’.

Our experience is that reconciliation between misaligned interests involves both sacrifice and adaptation, and presupposes mutual respect for the ‘sacred’ within each.

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The Foundation is lead by the Director, Lord Maurice Glasman. The Trustees are Ben Andradi, Lord Jamie Lindsay, Lord Bernard Donoughue and Leslie Dighton.

The aims of the Foundation are challenging. Their achievement will depend on the willingness of an inspired community to assist with intellectual, moral and financial support.

This Little Book of the Common Good is an invitation to readers to join in a continuing conversation about how to achieve these aims.