

The Day of the Common Good Corporation Is Here

By Terry Mollner

Allow me to ask if you agree with this statement: Our priority determines everything else.

I think it is pretty self-evident that this statement is true: everything else would have to be secondary in importance and yield to it.

Therefore, do you also agree with this statement: moral behavior is when the highest priority is the common good?

Watch out! This suggests that any priority other than the common good is immoral...such as self-interest. This suggests that to be moral self-interest must always be second in priority to the common good.

Well it is this kind of thinking that is resulting in the emergence of what is being called "the fourth sector." The first three sectors of our modern societies are the governments, businesses, and non-profits. Let's take a look at these three sectors and see what it is about them that have resulted in the emergence of this fourth sector.

The highest priority of government is its citizens, the people who live on its hunk of dirt. That is not the common good of us all. Does that mean that the current nation state system is immoral? Hummm. Seems like it does. There is a second thing here we could also not like: paternalism. If we live on one of these hunks of dirt we have no choice but to follow its rules and there is a constant fight by political parties and groups to have the power to set those rules.

Let's look at the business sector, especially large corporations. The highest priority of a multinational corporation is the financial interests of a few, usually called the "shareholders." That is also not the common good.

Let's look at the non-profit sector. The highest priority there is usually a particular mission, for example ending the AIDS epidemic or educating people about the need for a sustainable environment. These activities are certainly part of the common good but they are usually narrowly focused which means their leaders are not free to respond to what they believe is most important for the common good from moment to moment. Secondly, usually the money comes from one group of people and the services go to other groups of people. It is inevitable that there will be an element of paternalism here as well.

The fourth sector is a response to this situation, and to many it is also a maturation of our thinking. It is comprised of business enterprises where the highest priority is the common good.

Under this system, it is believed, we have self-sufficient organizations because they are productive and live off of their earned income in a free market economy (bye, bye paternalism); and their highest priority is the common good (bye, bye immorality). They are also not defined by dirt. They are defined by agreement (bye, bye nation state).

So, what does a fourth sector business look like? Well, there are only two main things that are different: 1) the highest priority is the common good, and 2) at the end of each year any excess profits are permanently set aside and managed for the common good. Now everyone comes to work each day knowing that the highest priority is the common good in all directions at all times including being a socially responsible company and managing any excess profits for the common good. I think many of us would like that. Strong customer loyalty will grow as well.

Is this happening? Yes, it is and always has. Let's not forget that this is the way many small businesses were operated, and still operate, in cities and towns around the world before the emergence of the multinational corporation. My dad ran a small meat market in the Austrian-Hungarian section of Omaha, Nebraska and other than making sure our family had enough to survive he was donating meat, time, and money to everyone from the bums along the railroad tracks to our Catholic parish and everyone else who came in the store asking for assistance. So this is not that uncommon. We have just evolved into an international system of corporations that are religious about having the financial interests of a few as their highest priority.

One group has jumped into the fourth sector in a big way: Google. When Larry Page and Sergey Brin created Google.com they stipulated in the prospectus that 1% of the shares and 1% of annual profits would be set aside for philanthropic purposes. They decided that it was not best to donate it to charities as many others have done...although they do that as well. Instead, they decided it was best to create another for-profit company where the highest priority is the good of humanity and nature, not profits. So Google.com has put more than a billion dollars in a new for-profit company called Google.org. It is buying, starting, building, and supporting companies where there will usually be a positive cash flow but the highest priority is the common good. If there are profits, great. They will stay in Google.org to build more fourth sector companies. For instance, one of the companies they have started is RechargeIT.org. It produces plug-in electric vehicles that reduce the need for gasoline and can also recharge the electrical grid. They have created what I would call a "common good corporation."

Now imagine this. Let's say that someone creates a "common good investment fund." Its sole purpose will be to raise capital, buy successful corporations, and convert them to common good corporations. Then let's imagine that many people around the world do the same. For the first time we will have many investment funds where the highest priority is the same, the common good. This means they will easily do joint

ventures with each other, each putting in less than 10% of their capital, and buy large corporations, eventually multinational corporations. As customer loyalty develops in support of common good corporations rather than conventional corporations, it will become clear that the merger activity that is resulting in only a few strong players in each market sector - soft drinks (Coca Cola-Pepsi), super premium ice cream (Haagen Das-Ben & Jerry's), etc. – is playing right into the hands of the fourth sector. As some in the market sector get bought by the fourth sector none of the remaining companies will want to be the last one bought: that would not be in the best financial interests of their shareholders. So the remaining companies will either arrange to be bought or convert to be common good corporations. In this way through a peaceful, non-violent, free market activity some of the largest economic organizations on the planet will have as their highest priority the common good.

Ah, a dream you say? Some of us think it is as inevitable as it is that an apple seed will become a sprout, then branches, leaves, flowers, and apples in that order. It is the inevitable maturation of our social-economic lives on planet Earth. The emergence over the last thirty years of socially responsible companies was the beginning of the fourth sector (the sprouts, branches, leaves, and flowers). The common good corporation and investment fund is full maturity (the apples).

Recently Wal-Mart bought back \$15 billion of its own shares and General Electric announced a \$27 billion buyback through 2008. This was excess profit that they used to enhance the future return to the remaining investors. This is just from two multinational corporations. Fifty-one of the one hundred largest economies on the planet are multinational corporations. Just forty-nine are nations. Imagine the trillions of dollars of excess profits available each year. Then, when most of the multinationals have become common good corporations, imagine ample capital available to be managed by all the corporations, nations, and other organizations for the common good.

One obvious concern will be that these large corporations are not democracies. That is true. The Fourth Sector's first goal is to have the highest priority of the corporations already dominating the planet change to give priority to the common good. This priority will then surely ripple down the organization and out from it. There will surely be the emergence of a global democratic government of some kind. Perhaps it will be a more mature democracy than our current majoritarian democracies...rule by the majority as a result of war of the ballot boxes. Perhaps it will be a consensus building democracy like the one Mahatma Gandhi was launching in villages at the time of his assassination. That is a discussion for another day.

Eighty percent of investors are seeking a steady, decent return on their investments. This is usually in the area of 8-11%. The common good corporations could provide this or a bit more and still often have excess profits. So, if done well, there will not be a shortage of investment capital.

What has to change? Simply an understanding that our highest priority determines everything else. As this becomes more and more widely understood we will see the

emergence of more and more common good corporations and investment funds. It looks like the fourth sector is the next layer of economic and social maturity. Let's enjoy watching it grow and give a big cheer every time someone launches a new fourth sector company. "That a way, Google.org!!! You go for it!!!!"

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