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# COMMON WELFARE ECONOMY

## A DEMOCRATIC ALTERNATIVE IS GROWING

### Summary in 20 cornerstones

*According to an opinion poll in Germany and Austria, nearly 90 per cent of the population want an alternative economic order. The “Common Welfare Economy” describes the core elements of a more social, ecological and democratic legal framework for the economy. The idea emerged in 2010 in Austria from a circle of entrepreneurs and is rapidly spreading to more and more states.*

*The initiative is an answer to the slogan “There is no alternative”, it offers a concrete path into the future without falling back on the extremes of capitalism and communism. By the end of 2011, nearly 500 companies from 13 nations supported the model. In 2012, some 200 will implement the model’s core element, the “Common Welfare Balance Sheet”. Regional “energy fields” (local support groups) have been constituted in seven countries. These are the – continually discussed – 20 cornerstones:*

1. The same **collectively shared values** that contribute to **fulfilling interpersonal relationships** are the basis of the Common Welfare Economy: confidence building, cooperation, appreciation, democracy, solidarity. (Scientific research proves that fulfilling interpersonal relationships constitutes a key factor to happiness and motivation.)
2. A shift will take place from competition to cooperation, from the pursuit of profit to the pursuit of the common good, established through a new regulatory incentive framework. Companies will be awarded for cooperation and solidarity. Competition will still be possible, but creates disadvantages.
3. Economic **success** will no longer be measured with (monetary) exchange value indicators, but with (non-monetary) user value indicators. On the macroeconomic level (national economy) GDP will be replaced – as an indicator of success – by the **Common Welfare Product**, on the microeconomic level (company) the financial balance sheet by the **Common Welfare Balance Sheet** (CWBS). The latter becomes the main balance sheet of all companies. The more companies act and organize themselves along social, ecological and democratic lines, the more solidarity they display, the better will be the results of their Common Welfare Balance Sheet. The better the CWBS results of the companies of a national economy, the higher its Common Welfare Product.
4. The better the common welfare result, the more **financial benefits will be accrued by** the company: lower taxes, fewer customs duties, loans on more favourable terms, priority in public procurement and research programs, etc. Market access thus becomes easier for ethical companies, and fair, ethical, regional and ecological products become more economic than unfair, non-ethical, and global products.

5. The financial balance sheet thus becomes a secondary balance sheet alongside the primary Common Welfare Balance Sheet. **Financial profit** is no longer an end, but a **means** for achieving the goal of the company or, to be more precise, the goal of all entrepreneurship: to further the common good. A **financial surplus** may be used for: investments (with social and/or ecological value), loan repayment, accrued liabilities (to a limited extent), limited distribution of profit to employees and for interest-free loans to other companies. It may not be used for distribution of profit to non-employees, hostile acquisition of another company, investments in financial markets (which will not exist anymore), and donations to political parties. In return, the **tax on corporate profits** will be **abolished**.

6. As profit is no longer an end in itself, companies may now aspire to their **optimal size**. They are not in danger of being bought out and they are not forced to outgrow or outperform other companies. Businesses will be freed from the prevailing **pressure of continual growth** and **dog-eat-dog competition**.

7. Because it is possible for companies to grow naturally to their optimal size, without the pressure of competition, there will be many companies in every sector. As the pressure to grow ends, cooperation and solidarity with other companies will be a lot easier. Companies can help each other with knowledge, know-how, forwarding of clients, sharing of the workforce or interest-free loans. For these acts they will be rewarded with good results in the CWBS – not at the cost of other companies, but with benefits for all: companies start building a learning community based on solidarity, and the economy becomes a win-win-situation.

8. **Inequalities in income and wealth** will be **limited through democratic discussion and decision-making**: for instance, the maximum salary could be capped at 10 times the minimum wage, individual wealth at 10 million Euros. Transfer of capital and inheritance can be permitted tax-free up to 500,000 Euros and in the case of family-owned enterprises up to 10 million Euros per child. Any exceeding amount is distributed to the next generation via a “generation fund” as a **democratic endowment**: evenly distributed seed capital ensures equal opportunities. All exact limits and figures shall be determined by an economic convention.

9. **Large-scale enterprises** with more than 250 employees partially pass over into the shared ownership of its employees as well as the public or multiple stakeholders. Elected delegates of “**regional economic assemblies**” will represent the public. The government does not exercise authority over public enterprises.

10. The same applies to **democratic commons**, the third category of property, next to a majority of (small) privately owned businesses and a minority of large-scale enterprises owned (partly) by employees and the public. “Democratic commons” are enterprises which provide basic services in the sectors of education, health, social welfare, mobility, energy, communication and banking, i.e. sectors serving the common interest.

11. The **democratic bank** is a major democratic commons. Like every enterprise it serves the common welfare and, as a democratic commons, is subject to the control of the democratic sovereign – not the government. Its core services include guaranteed savings, loans on favourable terms, eco-social high risk loans and free current accounts.

The **state** will be financed primarily through **interest-free loans from the Central Bank**. The Central Bank exercises the **exclusive right to the creation of money** and controls the **cross-border movement of capital** to end tax avoidance. **Financial markets** as we know them today will no longer exist.

12. According to a proposal of John Maynard Keynes, a **global currency cooperation** will be established with a global currency (“Globo”, “Terra”) to finance international trade and investment. On the local level, **regional currencies** can complement national currencies. To avoid unfair trade, the EU shall establish a **fair trade area** (Common Welfare Area) with equal standards. For importers, the tariff correlates with the CWBS result: the better the result, the lower the tariff. The long-term goal is a **Global Common Welfare Area** as a **UN agreement**.

13. The **intrinsic value of nature** is recognized, thus it cannot become **private property**. A person/family/company who wants to use a piece of land for the purpose of living/farming/manufacturing, will be assigned what he or she needs free of charge. The assigning of land is tied to **ecological management** and the fulfilling of a concrete need. As a consequence, landgrabbing, huge landownership and real estate speculation will end. In return, **real estate property tax** will be **abolished**.

14. **Economic growth** is **no longer a political goal**. Instead, it is replaced by the **reduction of the ecological footprint** to a globally sustainable level. The **categorical imperative** will be extended by an **ecological dimension**: One may only choose a living standard that can be shared by all people of the world without diminishing the possibility of others to choose the same standard of living. Individuals and companies will be encouraged to reduce their ecological footprints to a globally just and sustainable level.

15. **Average working time** will be reduced to a level which is generally considered desirable: 30 to 33 hours per week. As a consequence, people will have more time at their disposal for other essential types of labour, such as **human relationships** (care for children, sick and elderly persons), **self-realisation** (personal development, arts, education, gardening, ...) as well as **community and political work**. Due to this more balanced distribution of labour time, the living standard will become less resource intensive and more sufficient and ecologically sustainable.

16. One in every ten professional years will be a **free year** financed by an unconditional basic income. In the free year, people can do whatever they want. As a consequence, demand on labour markets will decrease by ten per cent – the present unemployment rate in the EU.

17. **Direct democracy** and **participatory democracy** will complement representative democracy. The democratic sovereign will be able to regulate its representatives, initiate and pass laws, change the constitution, and control important economic domains, such as railways, energy providers, or banks. In a “real democracy”, the needs and interests of the sovereign people and their representatives are identical. Basic conditions for real democracy are comprehensive rights to co-determination and the control of power.

18. All **20 cornerstones** shall be **developed** in a broad **bottom-up process**, before they are handed over to a democratically elected **economic constitutional convention**. This convention proposes laws that are submitted to a referendum. Those cornerstones,

which are approved by the people, will be anchored in the constitution and can, at any time, be changed and further developed – only by the people themselves. Alongside the economic convention, a number of other assemblies are summoned to further develop democracy, for example an **education convention, a media convention, a democratic convention**.

19. To anchor the values of the Common Welfare Economy deeply in the next generations, the educational system also has to be constructed along the principles of the Common Welfare Economy. This requires new forms of schools and new content, e. g. **values and ethics, “emotionology”, communication, democracy, nature and environmental education/experience, and bodily awareness**.

20. As the parameters of entrepreneurial success are redefined in the Common Welfare Economy, **different leadership skills** will be required. Those persons who are socially responsible and competent, empathic and compassionate, socially and ecologically oriented will be the highest in demand and serve as the new role models for business leaders.

*The Common Welfare Economy is neither the “best” economic model nor the end of history; it is only a next possible step into the future. It is a participatory and open process that seeks synergy with similar approaches. Thanks to the collective commitment of a growing number of courageous and resolute persons, we will be able to create something fundamentally new. Implementation depends on intrinsic motivation and personal responsibility, economic incentives, a legal framework as well as awareness-raising. Every person, company, organisation and community can take part in the reorganisation of the current economic system towards a Common Welfare Economy.*

Further Information: [www.common-welfare-economy.org](http://www.common-welfare-economy.org)

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