Movement for a Sustainable Economy

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1 Introduction

Capitalism, in its current form, is the perfect system from the average consumer's point of view.

. . . right?

The competition between companies to fulfill the needs of their costumers means that all companies are forced to behave completely in line with the interests of those costumers.

. . . right?

Together the consumers hold all the power in a capitalistic society. They are free to decide who gets to stay in business and who does not, free to enforce whatever desirable changes to a company that will benefit its costumer base at large.

. . . are they not?

Well, this might be the case in theory, at least. And indeed, if there is a lot of healthy competition within a certain industry, the companies should be required put their costumers first to a large degree. But in reality, we do see many instances in our present societies where companies decide to take actions that negatively affect their customer bases at large, prioritizing the interests of their shareholders instead.

The following are some overall examples of how companies might prioritize their shareholders over their costumers:

1. Companies might let their prices be decided much more by what the customers are willing to pay for certain goods or services rather than by what their production, maintenance and development costs are. (They might also inflate their prices in cases where the exact prices are calculated and disclosed only after the services have been given.)

*See https://www.github.com/mjdamgaard/notes for potential updates, additional points, and other work.

2. They might pollute the environment near their production or cause greenhouse gas emissions, perhaps degrading the life quality of their average customer.

3. They might move their production away from where their products are generally being sold, taking away jobs and job opportunities from their average customers.

4. They might offer bad salaries and/or bad working conditions for their workers, which might degrade the jobs and job opportunities of their average customers.

5. They might try to avoid taxes to pay their shareholders greater returns, even when that tax could have otherwise gone to benefit a large portion of their customers.

6. They might choose to go for a reduced quality of some goods or services in order to cut costs and save money for their shareholders, for instance by choosing a reduced durability of some products, which can often be hard to spot as a customer when buying them.

7. They might halt investments into developing new products or features on the grounds that the shareholders do not stand to gain enough from this investment, even when these developments could benefit their customers significantly.

8. They might keep secrets about their business operations, their technology, and/or their development projects, or they might patent/copyright their technology and keep the licenses to themselves. These are of course completely natural things to do in our current capitalistic societies, but from the average consumer's point of view, it might be much better if the companies would commit themselves to more open source sharing of ideas.

And although capitalism has been an incredible force for driving technology forward, and has given us much prosperity in the world, it also seems to lead to an increasing inequality in our societies in its current form. This is a natural consequence when most companies are ultimately run by their owners' desire to make their money multiply. It means that the yearly earnings per stock price have to be significant in order to have engaged directors of the businesses in our societies. But when the yearly earnings are significant, it unfortunately implies that the rich generally get richer, meaning that the inequality of the relevant societies generally increases.

Additionally, since wealth and power goes hand in hand, rising inequality also creates a feedback loop where it gets increasingly easy for the wealthy and powerful to cheat the average consumer to benefit their own interests, which again gives rise to more inequality. So even in countries with relatively low inequality and good working conditions, it might pay off for the consumers to do something sooner rather than later, as things will probably only get more difficult as time progresses.

Luckily, there seems to be a solution to all these problems, and even one that is relatively easy to implement. It involves a new type of company where the shares are slowly but surely redistributed over time so that they end up on the hands of the customers. The idea thus aims to solve the problems mentioned above by making sure that the customers of the companies actually *become* the shareholders over time. And when the consumers start owning more and more of the industries in which they are costumers, the relevant companies can then simply be run by the engagement due to the owners' interests as customers rather than their interests in making their invested money multiply.

2 A new type of company where the customers slowly become the shareholders over time

This idea for solving the current problems with capitalism revolves around a new type of company, which will be referred to as a 'share-redistributing company' in the remainder of this text, or an 'SRC' for brevity. An SRC is then defined as a company where all shareholders are continuously required to give a tiny portion of their shares back to the company at frequent intervals, which is then itself required to distribute these shares out among all its recent customers. The amount of shares that a shareholder owes the company after each interval should be proportional to the amount of shares that they own, and the amount of shares that each customer receives should be proportional to the money that they have spent on the company's goods and services in that interval. These rules are permanent and thus continue to apply for all shareholders, including those who have obtained their shares via this redistribution process, i.e. as customers.

At the same time as shares are redistributed in this process, each shareholder is also paid a return proportional their amount of shares. How much is paid in returns after each interval is a company decision, which means that each shareholder ultimately has a vote in the matter proportional to the amount of shares that they own. In practice though, the returns of an SRC will first of all generally depend on the average surplus of the company, just like a more traditional company. But in an SRC, the returns will also generally include an additional amount of money equal to the market value of all the shares that are distributed to the customers. The simple reason why this should be the case is that, within reasonable parameters, one can assume that the customers will be willing to pay an additional price for each good and service equal to the market price of the shares that they get along with them. And while the exact amount of shares that each trade will yield the customer is only calculated at the end of the current interval, each customer will still know roughly how many shares they will get from each trade, assuming that the sales numbers are public and also frequently updated. So while the shareholders are in principle bound to "give" some of their shares to the company, which is then bound to “give out” these to the customers, the company can still be expected to get a fair amount money in return for these shares, which will then generally be paid back to the shareholders as part of the returns, thus reimbursing them for the shares that they have parted with.

It almost goes without saying that an SRC ought to make sure that its shares are very divisible, such that even if the company grows a lot, the atomic units of the shares will still only have a value significantly below e.g. a cent, preferably. This way, even a customer who only spends a small amount of money at an SRC will still get a fair amount of shares along with it, instead of these being rounded down to zero.

Since the point of the idea is to ensure that the customers buy out the initial shareholders over time, it is also important that the company implements further restrictions on the shares, limiting who can buy the shares to some extent. Otherwise, any interested party could simply buy up all the shares from the customers and perhaps make the company more exploitative once again, thus gaining a profit at the expense of the customers (who might have become somewhat reliant on the company’s goods and services).

A solution to this problem could be for any new SRC to first of all declare a certain date and then restrict all sales of shares that have undergone the redistribution process described above after said date such that these can only be sold to other registered customers. Furthermore, each customer should also be limited in how many of these shares (redistributed after said date) they can buy, depending on how much money they have spent as customers at the SRC. Otherwise, any party who wanted to buy the company out from under the customer base could simply just buy a small amount of goods or services to become costumers themselves.

As an example, the SRC could choose to make a rule that no customer is allowed buy shares that have undergone redistribution after the relevant date if they will then end up with more than double (e.g.) of what they would have had if they had never bought or sold any shares, but only received and held onto the shares they have gotten through the redistribution process as costumers.

The reason why it might be a good idea to postpone this restriction until after a certain date is to ensure that there will be a large number of registered customers (who will have had to register to get their shares as customers) at the time when the rule starts going into effect, thus ensuring that there is a large number potential buyers for these shares right away. Should a customer want to sell their attached shares immediately after obtaining them, perhaps if the person is in need of money at that moment and cannot afford the extra investments (but still wants to support SRCs), they should then be still able to do so easily, and get a fair price for them, despite these sales restrictions.

With these requirements of an ‘SRC,’ such a company will then be destined to become increasingly owned by its customer base as time progresses, slowly perhaps, but surely. And even if its customer base changes rapidly at some point, the continuous redistribution process will in that case still mean that the new customer base will slowly but surely buy out the previous customer base as owners.

The time it will take for the customers to buy out the previous owners will depend on the portion of shares that the shareholders owe after each interval, which will again depend the how much money the SRC generally wants its customers to pay for the attached shares compared to the actual price of the goods and services that they are buying, as well as on the price-to-sales ratio (P/S) of the company. Suppose for instance that a certain SRC predicts that its customers would prefer to pay about a 5 % increased price for each good and service due to the attached shares. Suppose also that the price-to-sales ratio (P/S) is at 2 and that the interval before each redistribution is chosen to be half a month. The company then wants to redistribute shares to the customers at each interval worth about $5\,\%/2/24 \approx 0.1\,\%$ of the company's total price (P).[1] Since

$$(1-0.001)^{24t} = \frac{1}{2} \;\Rightarrow\; \log 0.999 \times 24t = -\log 2 \;\Rightarrow\; t = \frac{-\log 2}{24 \log 0.999} \approx 29,$$

it would then in this case take about thirty years for the customers to obtain half of the shares of the company. (And it would take them about sixty years to obtain three quarters, and so on.)

3 Additional points about these new companies

All sectors of industry can be a focus of the movement. When it comes to SRCs in the primary sector, they just have to make sure that all their goods come with a code to redeem the shares that are owed to the customers, or something to that effect.[2] If certain businesses in the secondary sector then add a price to the final one that the private customer sees, this added price will then simply not count in terms of how many shares the customer gets from the company in question of the primary sector. But if these companies of the secondary sector are also SRCs, this added price will then of course go towards buying the customer shares in these companies as well.

An SRC can either have its beginning as a newly upstarted company or as a more traditional company that decides to convert to an SRC. A company that converts to an SRC will simply choose a date from which it will be obligated to follow the redistribution process described above (as well as an interval length, a percentage of shares owed after each interval, and also a later date after which the sales of the redistributed shares are restricted, as explained in the previous section). Once the new SRC enters its first interval, it can then raise its prices according to the expected added value to each of its goods and services due to the

[1] This means that company then chooses that the shareholders owe 0.1 % of their shares after each interval, and will continue to do so regardless of whether the price of the company changes. If this price increases, the prices on all goods and services can then go up slightly, and vice versa.

[2] This is of course a crude solution. At a later stage in the future, all purchases from an SRC will probably be able to be registered right away in the stores.

shares that now come along with them, such that it can pay back its shareholders for the shares that they part with immediately after this interval.

A functioning SRC will of course require a system where the customers can register themselves and their purchases. Since this will generally require some cost to develop, it might be beneficial for the movement initially to focus only on convincing large companies to convert to SRCs, such that they can easily afford this cost. They same thing can also be said about the cost of formulating and signing the contracts that goes into the conversion. And of course, convincing a company to convert might also take some effort from the interested consumers. Therefore, due to all these overhead costs, the movement should probably focus primarily on convincing large companies to convert at first. This also has the advantage that once the customer bases start to take over the power of these companies, it will generally requires less effort per costumer to govern them, as opposed to when the costumer bases of the companies are small. (For instance, if the company has a board of directors, it will require fewer directors per customer if the customer base is large.)

For a company whose directors sees that a large part of its customer base likely wants it to convert to an SRC, but who are not necessarily convinced that it will be beneficial for the company and its (initial) shareholders, the following approach might be beneficial: The company can undergo a temporary conversion to an SRC, which is then only made permanent if the company sees a certain amount of growth in the relevant period. This way the consumers who want the company to convert thus get a chance to prove that this conversion will be beneficial for the company, and if not, the redistribution process simply halts automatically once again, making the company revert back to its initial type.

Apart from this, consumers can of course also try to convince companies to convert simply by threatening to boycott them if they do not. They can then go to the competitors of a certain company instead to put pressure on it, even if these competitors are not SRCs either. When one company finally gives into the pressure and converts, the consumers can then start supporting it once again. Additionally, if no company in an industry wants to convert to an SRC initially, the interested consumers might also simply support a startup company of the SRC type and then try to make it grow into a big competitor in the relevant industry.

4 The future that this movement might bring

Suppose that SRCs become widespread in the various industries of society. Then, when the customers start taking over the power to govern these companies, they will be able to start eliminating the problems listed in Section 1. And when they do, this will perhaps also make it harder for their competitors not to make similar changes in order to keep up with them. So even in a case where SRCs do not take over an entire industry, they might still be able to change that industry for the better even beyond the portion of it that they control directly.

To give some examples (that repeats some of the point listed in Section 1), the customers of the now almost democratically governed SRCs within a given industry will be able to reduce the carbon footprint of that industry, as well as limit other types of pollution by it. They will be able to make sure that the industry offers good job opportunities for the customer base, with good salaries and good working conditions. They will be able to make the operations of the companies more transparent, and specifically make sure that they do not try to cut the quality of their products in secret to earn more money. (In terms of the environment and our natural resources, prioritizing quality and durability of products to a greater extent will also result in a better use of those resources.) They will also be able to make the technological development of the industry more open source, so to speak, since they will not need to fear as much that the ideas will be stolen and used by competitors. They can also make sure that the industry does not spare expenses when it comes to technological development whenever there is a good change that this will benefit the customer base. They might thus, of course depending on the relevant industry, be able to accelerate the technological development related to the industry, benefiting future generations of customers as well as themselves.

If SRCs end up controlling a big part of the various industries, it also means that the consumers will own more of the assets on the market. Since nobody can invest in an SRC when it is well beyond its initial stage except for the investment that the costumers give through their consumption (plus the limited amount of shares that they are able to buy on top of that), the general finance market will then have to relegate itself to dealing only with the non-SRC companies that are left. This means that there will then be fewer assets to buy in that market, from which it follows that the price-to-earnings ratio (P/E) will generally go up for the stocks. Wealthy individuals will thus still be able to keep all their money in theory, if they trade cleverly, but the yearly earnings on their stocks will generally decrease. This can of course be seen as bad news for these individuals, who will now have to actually *use* their money to a greater extent (on consumption, i.e.) rather than trying to make them multiply. But for society in general, this should lead to less inequality.

In terms of the P/E of the SRCs themselves, the customers can in principle also start reducing the earnings (thus increasing the P/E) when they take over the power. But on the other hand, when the customers starts taking over the shares of the companies, they also get a proportional share of those earnings. So even if the P/E is continuously kept constant for an SRC, the customer base will still eventually be liberated from having to pay the extra money that only goes into generating a surplus for somebody else, as they will instead start paying that money simply to themselves.

A society where SRCs become very widespread and popular will thus tend towards a state where the wealth of a person is simply equal to the wealth that they have inherited (minus taxes on that, of course) and/or received through social programs, plus the wealth that they have acquired through their own work (not counting the "work" of owning stocks, i.e.) and minus the wealth that they have spent on consumption. And the power of each person over the various industries will simply be proportional to their consumption within each industry. The society will therefore tend towards a state with great equality and a very flat power distribution. And the businesses in society can still be run efficiently, only where the engagement to govern them comes more from the owners' interests as customers rather than from their desire to make their money multiply.

5 The market potential of these new companies

The main reason that SRCs might see an increased customer interest is first of all due to the future that it promises. And even for people who do not expect to live to see much of this change, these people will generally still care for the future of their children, grandchildren, and so on.

If the customer interest increases due to a conversion to an SRC, the initial shareholders are expected to see their shares increase in value, just the way that they would for a regular company. And while the shareholders are of course bound to give out a portion of their shares at frequent intervals in an SRC, they will generally be able to be reimbursed fairly for these shares, as explained above. Therefore, if the costumer interest goes up significantly after the conversion to an SRC (when compared to the overhead costs of the conversion), the initial shareholders will thus stand to gain from it.

From the customers' point of view, these will generally have to pay a small extra amount of money each time they buy goods or services from an SRC. But this money will, on the other hand, not be lost to them at all since it will buy them some shares in the company. If the company remains stable, the costumers will get the same money back that they have invested, but if it increases or decreases in value, they will of course either gain or lose some money. Customers who believe that SRCs will generally grow and become prevalent in the future can thus in fact simply see the extra expenses as solid investment to secure part of their pension. And if SRCs become widespread over all the various industries of society, these investments will most likely become spread out over many companies for the consumers who support the movement, which means that their resulting financial portfolio will have a low risk. It is thus reasonable to believe that the consumers will not generally be dissuaded much from joining the movement due to these small investments that a continuous support for the movement will require.

Furthermore, SRCs are likely to get a lot of free advertisement from their customers, especially once these start to become financially invested in the companies as well. This financial interest will then be added on top of the initial interests (e.g. due to the future promises of the movement) and make the customers even more likely to recommend and advertise the SRCs to their friends and family. This might thus very well create somewhat of a positive feedback loop where more and more people will become interested in the movement.

As the customers of SRCs becomes increasingly invested in them as time progresses, they will probably also be less likely to buy goods and services from competitors. The customer bases of SRCs are thus likely to become more and more loyal to these companies over time. And even though a non-SRC competitor can in principle convert at any time (in general), any such competitor who waits too long to convert might not be able to attract the same support from the customers at that point. For when these potential customers already own part of the shares in a competing SRC, they might simply prefer to conquer the latecomer's assets by having the first SRC defeat it in the industry as a competitor, rather than joining the new SRC as customers and obtaining the same assets slowly through the newly initiated redistribution process. If this will turn out to be the case, namely that the customers will stay loyal to the first SRCs in the industries even after their competitors finally choose to convert as well, the initial shareholders of the first SRCs might thus stand to gain a lot of wealth from their early commitment to the movement.

6 Comparing the idea to other solutions

It is first of all relevant to compare the idea of SRCs to the existing concept of consumer cooperatives, which are companies governed democratically and owned equally by all its members. This is similar to what SRCs are supposed to achieve over time, with the only difference that in a hypothetical society where almost all companies are SRCs, the distribution of the power of each consumer will naturally depend on the distribution of their consumption, whereas it would simply depend on where they choose to apply for memberships if these companies were all consumer cooperatives instead. However, the advantage of SRCs over consumer cooperatives is that they do not require the consumers to have/get ownership over the company to begin with. Instead, the consumers can in principle start out with zero capital when it comes to an SRC. And since the initial shareholders thus generally do not have to part with any wealth when a company is converted to an SRC, it should thus be much easier for consumers to persuade the companies, old ones or new ones, to become SRCs, as opposed to becoming consumer cooperatives. Furthermore, SRCs might also generally reward financial growth more than consumer cooperatives since only those who were shareholders during a certain period of growth will see a correlated increase in their wealth, and not the consumers who only joined the party after/in the upswing, so to speak.

Comparing the idea to another potential solution, one could also ask: "If the concept of SRCs is just that consumers gradually buy the shares of the companies at which they are customers, why can they not instead just agree to collectively start putting some money aside each month and invest them in the companies they care about?" But this is first of all not as efficient in the long run since some of the initial shareholders might then decide to hold on to their shares and thus raise the price of the company's shares artificially. The consumers would thus have to pay for more than what they get in this case. And furthermore, this would also take a great deal more organization and commitment from the consumers, as opposed to when they just need to buy more goods and services from SRCs from time to time rather than from the more traditional types of companies.

And lastly, one could also compare the idea of supporting SRCs with the idea of socialism/communism. The critiques of the latter are, however, rather well-known, for instance due to the centralized administration of the society that such a system requires, combined with the corrupting effects that such a centralized and powerful administration is generally exposed to. A society where most companies are SRCs, on the other hand, works completely within the market system, and will thus still have the same relatively decentralized power structure (on a fundamental level) as before. And the fact that the movement requires no governmental changes to a capitalistic society, but only requires consumers to start prioritizing a certain type of company over others, also makes it a great deal easier to get it going.

7 Conclusion

Share-redistributing companies, combined with a consumer movement supporting them, have the potential to bring about a future of great equality in our societies, and one where companies work more efficiently in the favor of the consumers. And since they function completely within the market system, they thus generally require no changes to the laws of our current governments.

Who knew that capitalism might not necessarily lead to an increasing inequality in a society? We might have simply been utilizing it wrong all along.