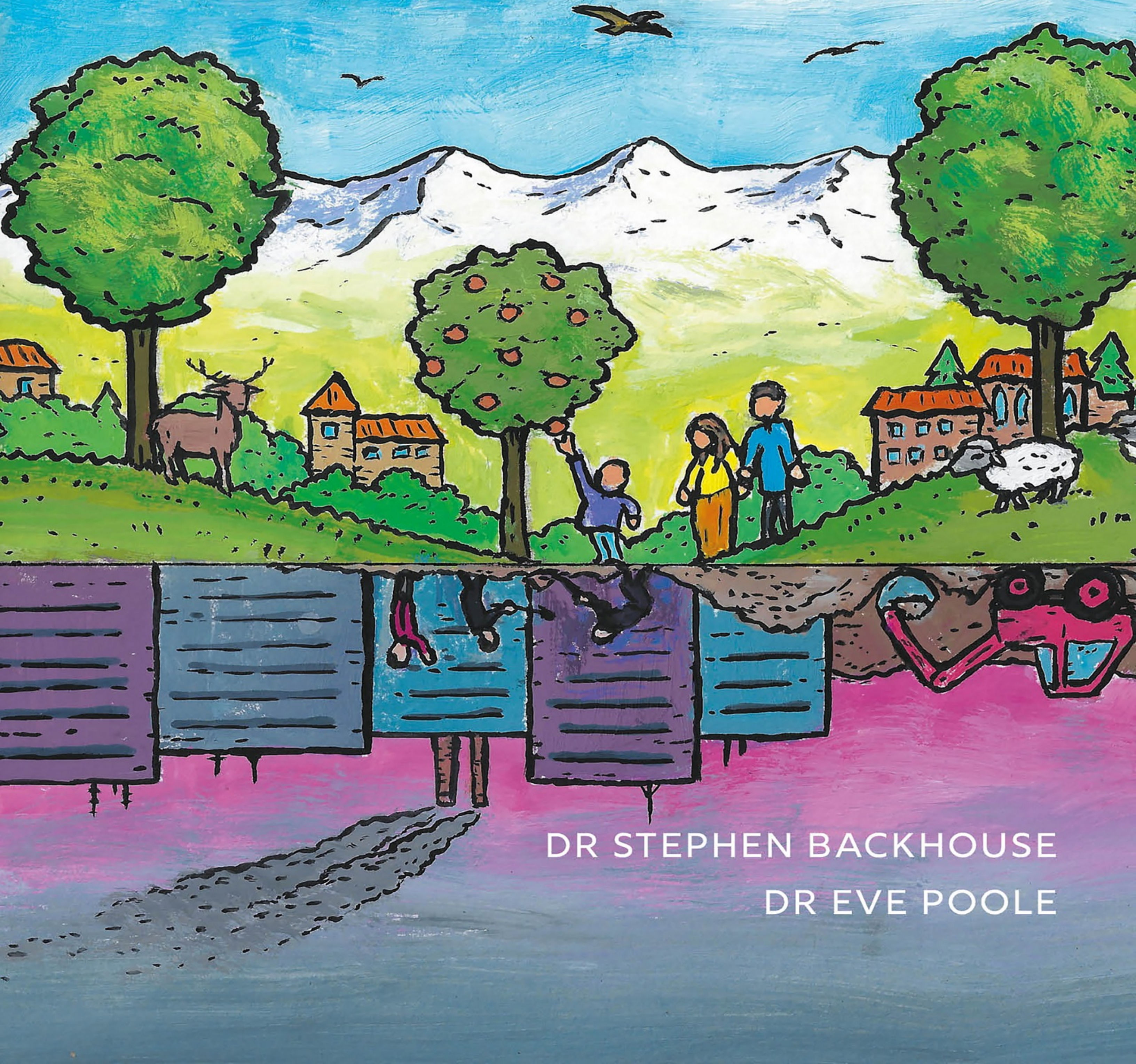
FROM EXTRACTION TO CREATION

TOWARDS A STAKEHOLDER ECONOMY



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Colophon

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About

The Jubilee Centre
The Jubilee Centre offers a biblical perspective on social, economic and political issues, and equips Christians to be salt and light in the public square. We believe the Bible describes a coherent vision for society that has enduring relevance for the UK and the world in the twenty-first century. At the heart of this social vision is a concern for right relationships. We seek to study, disseminate and apply this vision in order to provide a positive response to the challenges faced by individuals, communities and policy makers.

Sallux | ECPM Foundation
Sallux is the political foundation for the European Christian Political Movement (ECPM). Sallux means “Salt and Light” and we want to spark a salted debate where needed and shed light on the issues we face. We present solutions by organising events and distributing relevant publications and will not stay on the safe side of the status quo.
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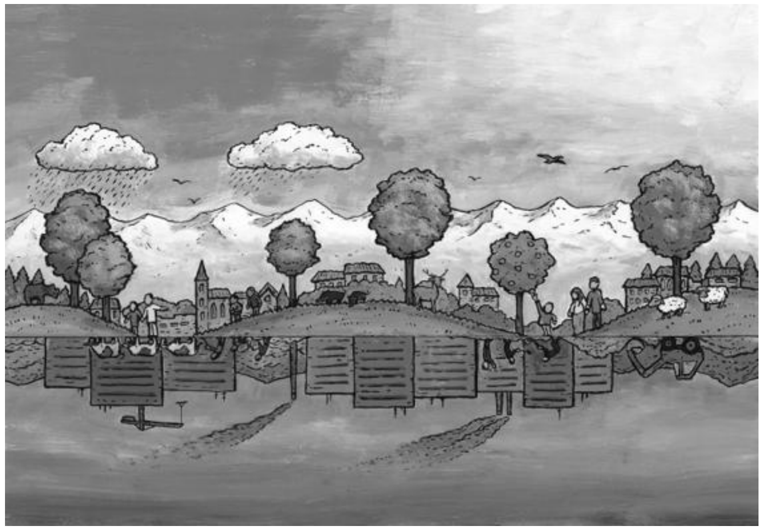
Dr Eve Poole has a BA from Durham, an MBA from Edinburgh, and a PhD in theology and capitalism from Cambridge. She is the author of several books, including *Leadersmithing*, which was Highly Commended in the 2018 Business Book Awards. She was Third Church Estates Commissioner (2018-2021) and the first female Chairman of the Board of Governors at Gordonstoun (2015-2021). She taught leadership at Ashridge Business School for 15 years, having previously worked for Deloitte Consulting, where she specialised in change management.



Once upon a time there were two Cities.

Creation City was a beautiful place.

It was a complicated place, where animals, plants, things and people all lived together. It was not always easy to see how everyone was related but they knew that they were, and they lived at peace with the complexity.

The City was profitable: people’s ventures left more quality resources behind after they were finished, and places were left better off than how the people had found them.

The humans employed in Creation City were energised by their work, and there somehow seemed to be even more animals, plants and things after coming into contact with their businesses.

The inhabitants of the city thought that if a venture had to break its people or hurt its places in order to be a success, it was not worth doing.

They knew how important it was to maintain relationships, and so they measured the success of their endeavours by how well the people who took part were connected to each other.

Creation City was a beautiful place.

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Extraction City was not so beautiful.

It too was a complicated place. It too had animals and plants and things and people all related in intricate ways, and yet the rulers of the city kept trying to impose their will on everything.

They applied simplistic solutions and labels onto complex things, and as a result things never behaved quite the way they were supposed to.

People were expected to be self-interested consumers. The environment was expected to perform regularly like clockwork.

Places, animals and things were seen merely as resources from which to extract maximum value.

Humans were considered to be resources too, and they were required to pour their energy and emotions and time into the organisations that they belonged to.

Everything the Extraction City touched was left misunderstood, exhausted and drained.

Extraction City was not so beautiful.

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This tale of two cities is a true one.

It happens all the time.

It is happening now.

Which City do you want to live in?

Foreword

In August 2022 the Janus Henderson Global Dividend Index (JHGDI) published that the second quarter of 2022 saw the highest record ever of dividends paid out to shareholders[1]. This comes at a moment when a growing number of people in Europe are experiencing financial hardship due to soaring inflation and extremely rising energy bills. The same index indicated that the key drivers of the unprecedented growth in dividend pay-outs were oil, financials and auto sectors. Clearly, we feel that there is a moral problem if we consider that the term ‘oil’ in this index actually means ‘oil, gas and energy’[2]. This means that while people struggle to pay energy bills, the companies that create these soaring bills are increasing their dividend pay-outs as never before. That means that people with average or low incomes are forced to pay more for something they need to be able to survive and this ultimately leads to higher dividends for shareholders. At 3 August 2022, UN Secretary-General António Guterres stated ‘It is immoral for oil & gas companies to be making record profits from the current energy crisis on the backs of the poorest, at a massive cost to the climate.[3]’

Paying more dividend is a choice and not a law of nature. The same companies could have made a choice to use their record profits to decrease the costs for consumers or help them to create more isolation or increase their investments in creating renewable energy sources. Instead these record profits resulted in record payments to shareholders, many of whom already belong to the richest ‘1%’.

These and similar situations have helped more and more people to realize that there is a fundamental problem in our economy that originates from the dominance of shareholders. António Guterres and many policy makers made a plea for a special ‘windfall tax’ for energy companies. This is understandable and may be necessary in order to alleviate the most urgent needs of (especially

poorer) energy consumers. At the same time it does not solve the underlying cause that led to this situation.
The core cause is the pressure that originates from the demand of the shareholders that companies continuously increase profits in order to increase their dividends and the value of their shares on the stock markets. In this case it led to extraction of money from the most vulnerable consumers as they often lack the means for modern isolation and generally live in older houses.
The same demand for more profits and higher dividends keeps wages low which means that time and work is extracted from people for a high production at low costs. The European Trade Union Confederation (ETUC) released at 26 August 2022 a statement in which it compared the rise in dividends across the EU with the average rise in salaries across EU Member States[4]. The conclusion was that dividends rose seven times faster than average wages. Moreover the ETUC stated: ,,The figures show again how excessive corporate profits – not wages – are driving inflation, as stated by the European Central Bank”[5]. It demonstrates how shareholder profit is seen as the single purpose of companies at the expense of all other stakeholders and society at large.
Other stakeholders equally suffer under this system as many SME’s have to adapt to the demands imposed on them (directly and indirectly) by the large companies and multinationals. Many SME’s face higher energy bills and decreasing margins of profit as the large companies

increase their margins of profit by demanding cheaper purchases from smaller companies.
Simultaneously, this pressure for shareholder profit leads to extraction of natural resources at the cost of our environment and climate. The reality is that more sustainable production is costlier. As lower profits and lower dividends is seemingly never a normal option, the choice is completely moved to consumers to choose between their wallet or the planet. The same consumers that are already pressed between lower wages than needed and higher energy costs than necessary. At the same time the whole drive for more consumption is fired forward by the same drive for more profit. More sales means more profit and therefore all must be done to produce and sell more.
This whole economic system enforces individualism and is built around the notion of the autonomous individual. The Sallux publication 'A Relational Response to Climate Change' already emphasized and elaborated this and stated: ,,individualism creates consumerism as it focuses on the fulfilment of each person in an autonomous, individualistic way."[6]
This system indeed pushes people towards individualism. Not only are people constantly addressed as individual consumers, families and community life face constant pressure. The current economy make families artificially poorer and pressures them to spend more time on the work

floor than otherwise needed. As a result family members have less time to contribute to the community.
In every aspect we see that the current economic system results in extraction from individuals, communities and our planet. Our shareholder centred system is an economy of extraction.
In ‘A Relational Response to Climate Change’ the following conclusion is reached: ,,Furthermore, we have seen that an economic system which has as its primary purpose the generation of short-term returns to capital will inevitably be damaging to the natural environment and contribute to climate change. The doctrine of maximising shareholder value was devised in a post-war era when capital was scarce, and thus it seemed to make economic sense. However, we are now in an age when capital is plentiful and natural resources are those that are increasingly scarce. Furthermore, a capital-centred system lacks the holistic foundations for both environmental and human flourishing as has been revealed in recent years. We must rethink our assumptions of what is important in a society and pivot towards an economic system designed to protect and promote both environmental and human flourishing.”[7]
That is indeed what this publication tries to clarify. How do we translate a different, more relational, purpose in life, into an economy that is not focused on extraction but on creation? How do we move from a shareholder focused economy to a stakeholder economy?

The foundation of this approach is the relational understanding of the human being and human dignity. That is simultaneously the foundation of a revitalized Christian Democracy that has a vision for our societies in the 21st century. Christian-democracy cannot continue to support the existing economic order that is fundamentally set against family, community and creation. Therefore this publication is equally a further step in developing the vision set out in the Sallux publication: 'A Relational Vision for Europe: Revitalising Christian Democracy Today'[8]. That publication sets out a relational vision for a flourishing society[9]. The stakeholder economy is a concrete way that fits with how Christian-Democracy always has approached society and economy. While government can correct the market and support society, it cannot own either of the two. At the same time we cannot be in a situation in which the market 'owns' society and government. As Christian-Democrats rejected the first, they ended up too often supporting the latter. The excessive influence of multinationals at this moment on both domestic and foreign policy is one critical sign that change and rebalancing is needed urgently. Foreign policy is now so geared towards the interests of large and multinational companies (and therefore their shareholders) that it ultimately increases refugee and migrant streams to Europe. We need a new understanding of the economy to change policy priorities. In a certain way the stakeholder economy makes society the owner of the economy instead of a small class of shareholders. Given that supporting life and society is the actual purpose of the economy, this makes more sense than an economy that is ultimately ‘owned’ by shareholders. The role of the government is then again one of support and correction rather than being owner of or owned by the economy.

As set out above, this publication is best seen together with ‘A Relational Response to Climate Change’ and ‘A Relational Vision, Revitalising Christian Democracy Today’. Together they offer a vision for politics, society, economy and creation on which we as Sallux aim to build further.

This book and these other two publications could not have been realized without the cooperation with Jubilee Centre. Sallux would not have had its distinct relational voice in Europe without the inspiration we received from Jubilee Centre throughout all these years. Therefore we not only warmly than Jubilee Centre for the cooperation in this publication but for all the help and support, patience and encouragement the team of Jubilee Centre has given us. In that sense these three publications offer a framework for and a continuation of all our earlier joint publications over the last decade. They all represent an agenda and roadmap for a more relational Europe and build a new mindset for policy makers when they face the incredible challenges we all see around us[10].

Last but not least we thank Dr. Stephen Backhouse and Dr. Eve Poole for their great efforts to realize this publication and their patient work of listening and working with both

Jubilee Centre and Sallux. We hope that this publication will give them hope that their and our vision for the economy can and will spread further.

We hope that this publication will encourage parties and politicians in the European Christian Political Movement to raise a clear voice on economic issues that is close to the needs of the people they serve. We hope this publication offers inspiration for all those involved in society, economy and creation care. Regardless of today’s challenges there are ways for working for a better and kinder future.

I. Imagine Better

The aim of this report is to help us imagine a better common economic life, one which rewards all the stakeholders in business, rather than privileging the shareholding few. Such a move can and does benefit people, planet and profit, but it will only do so when we move from a story fuelled by extraction to one formed by creation. The authors of this report work in politics, economics and management, but are also trained in theology. As such they are steeped in the deep stories that have shaped our economic, political and social life. A full consideration of the religious and theological ideas that underly our institutions (for good and for ill) is necessary if we are to truly imagine a better way to conduct our business and how we shape our economic policies.

Stakeholders are the people touched by any business endeavour: customers, suppliers, creditors, users, clients, staff, owners, even future generations and others in some way affected by the enterprise. This is in contrast to *Shareholders,* a term restricted to the (usually anonymous) investors who are concerned only with the (often short-term) profit of a company in which they hold shares.

Creation tells a story of sowing, building and crafting. It tells the story of people and places being left better than they were found. It calls to mind gardens tended, families formed, wealth generated and the planet cherished.

When we talk about ‘creation’ in this report we are talking about the mode of thinking and activity that has regeneration and preservation in mind: creators make things and they keep an eye on them after they have been made. Creative people have babies, craft objects and formulate new ideas, but, crucially, they also make the spaces in which these new things can happen: fields are sown, rivers are tended, cities planned and institutions founded. Thus, when we talk about ‘creation’ in these pages we are thinking of forms of life and social spaces as much as we are thinking of objects and material possessions. The creation mindset brings new things into existence, but it also preserves the conditions for new things to be created in the future. In this way the creation story is generous, generational, and long term.

The opposite of the creation mindset is that of *Extraction*. Extraction stories emphasize the utilitarian nature of nature. Land is there to be mined, soil to be used, animals and plants to be raised for maximal yield. People, too, are primarily objects for utilisation. Key activities for the extraction mindset are gathering, grasping, using, and exploiting. Extractive economies focus on short term goals, fast profits and maximizing returns as the end aim. Land, place, and the people that live there are not targets for patience or long-term investment, but are instead sources to be exploited quickly and efficiently. Persons born into societies dominated by the extraction imagination are