Open Sector :

A proposal for a new approach to building a responsible private sector.

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The social contract between companies and society has broken down. This has been attributed to a mixture of inherent complexity poor regulation, lobbying and competitive pressure leading to the current situation where companies no longer believe that they owe tax and transparency in return for protection of property rights, limited liability, economic infrastructure and an educated and healthy workforce.

A political strategy of tackling this problem head on has struggled to succeed because of inherent political complexity and corporate & investor lobbying power.

This proposition suggests an alternative approach where corporates are voluntarily invited to choose to be part of a new “open sector” in return for tax benefits, possible public procurement advantage and potential competitive advantage.

The main requirements of membership are complete transparency about externalities, tax, pay, renewable energy use, ownership and a number of other requirements.

+ BACKGROUND

Let us start by putting the open corporate movement in historic reference.

Legislation to permit limited liability companies in exchange for open accounting was widespread in France, UK and many US states by the early 1860's and is often credited with unleashing huge increases in entrepreneurialism and consequent economic growth.

Travelling further back to the birth of Patents in Venetian Statute of 1474, knowhow has been publicly shared in order to be legally and state protected for period of 10 years.

The Nation State has been on journey to exchanging legal protection in exchange for openness. The growth of the Eurobond market and the increasing dominance of the offshore/secrecy jurisdiction sector which is now touching more than half of all global GDP has critically vitiated the effectiveness and balance of this trade-off. Attempts to define full sustainability accounting frameworks are worthy but fractured and technically & politically impractical.

One excellent response has seen the growth of "social enterprise." Despite the many strengths of this approach, it may sometimes undermine a more general move to recognize the hugely positive social impact that all well managed companies can achieve through innovation and employment and through improving our lives. Most successful companies start by understanding this but various distorting competitive & investor pressures and market failures undermine this original focus. On the other hand, triple bottom line reporting and other CSR inspired attempts to drive more responsibility into the Corporate sector, while well motivated, have had only marginal impact at best and are rightly largely discredited as peripheral low-cost marketing efforts.

Accelerating trends, growing income, resource inequality and a complete failure to make progress on a number of market failures such as: climate change, water scarcity and other global boundaries or planetary carrying capacity issues, customer-appropriate financial services, the relationship between food processing and rapidly increasing chronic illnesses and many other failures have made the current approach both unsustainable but also un-scalable - however laudable in their own right.

The clear contract under which the state offers guarantees of property rights, an educated, secure and healthy workforce and critical economic infrastructure like transport and communications in return for openness and the right to gather taxes has almost completely broken down.

A rising awareness in the global south that developed countries have been extracting through transfer pricing, fraudulent invoicing, corruption, debt servicing, and resource theft more than ten times what they have been supplying in ill-directed and sometimes corrupting aid is leading to a potentially negative geo- political outcome.

But deep and wide-scale vested interests and biasing of political decision-making combined with associated popular political disengagement have made wholesale political reform close to impossible. Complete reform of the transparency requirements to be placed on corporates is likely to prove far too slow and potentially burdensome, particularly at a time of fragile economic growth.

We need to unlock the potential for a huge boost to economic growth and entrepreneurialism based on a new understanding of the real sources of innovation - openness (not excluding labour and public investment) and consequently a new theory of value by providing sufficient transparency to unlock massive new sources of consumer power.

+ PROPOSAL

What we propose is that the private sector be split into two parts – a private sector and an open sector. Choice will be entirely voluntary although it is likely that the more onerous reporting requirements of the Open Sector will be balanced with a lower rate of corporation tax and, over time, may be invited to enjoy advantages in public sector tendering, depending on uptake. Those not wishing to be fully transparent will not be required to be so. Full and effective operation of markets requires transparency and therefore it is unlikely that those interested in seeing capitalism survive its current crisis will be able to muster arguments against a voluntary transparent sector. On the other hand, the availability of a more transparent sector could unleash powerful and positive market forces.

The purpose of this initiative is to avoid second guessing or agreeing a vast array of standards that are likely to be beyond consensus or are likely to change over time (e.g. levels of minimum tax, pay differentials, etc.) Therefore it is proposed that NO regulatory requirements be placed in this legislation and no political judgements made except those that bear upon transparency.

It is also critical that absolutely no attempt be made to make introduction of this optional sector dependent on international agreement of any kind. Arguments that various requirements here would be too onerous unless foreign competition were to be put onto the same playing field would be almost entirely spurious and likely motivated by a desire to indefinitely delay implementation. (It will nonetheless be illuminating to see what will effectively be attempts to prove that being open puts one at a competitive disadvantage.)

It may be necessary to consider a two-step approach that makes it easier for small companies, for example, to move in this direction.

The Open Limited Company shall:

1. Commit to providing Open, Transparent and Real-Time data with regards to all economic activity internal and external in the company from employee reimbursement, expenses, transfer pricing, contracts to investments etc., focused on value created and level of compensation at each step of the supply chain might also be captured. (ie, What is the farmer paid?): Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

2. Commit to providing Open, Transparent and Real-Time data with regards all Human Resource Data in the company from the Gender and Ethnicity as well as other employment conditions, leave entitlements, etc; Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

3. Commit to providing Open, Transparent and Real-Time data with regards to energy and resource use and externalities in the company on a jurisdiction by jurisdiction basis: Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

4. Commit to providing Open, Transparent and Real-Time data with regards to beneficial ownership of every single aspect of the company and any vehicle over which it has fiduciary control, majority ownership, controlling ownership or interlocking ownership; Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

5. Commit to providing Open, Transparent and Real-Time data with regards to all tax paid by the company both direct, indirect and via employees. Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

6. Commit to providing Open, Transparent and Real-Time data with regards to all accounts, trusts, foundations, companies, banks and any other legal vehicle at all based in any jurisdiction which is engaged in unfair tax competition or any form of secrecy legislation (see definitions below). Commit to providing this data **in every jurisdiction in the**

world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.

7. Commit to providing Open, Transparent and Real-Time data with regards to all contracts and relationships of the company and its staff, owners and directors, influencers, investors etc with a commitment to year on year drive this throughout its entire supply chain.

8. Commit to providing Open, Transparent and Real-Time data with regards of any political donation, lobbying expenditure and the like, whether directly to politicians or parties or indirectly to unaccountable lobbying organisations such as the Corporation of London. Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

9. Commit to providing Open, Transparent and Real-Time data with regards all whole or partial property, asset and land holdings. Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

10. Commit to providing Open, Transparent and Real-Time data with regards to corporate policy, governance structure, ownerships. Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

11. Commit to providing an Open, Transparent and Real-Time Freedom of Speech for all employees, staff, contractors, supplies chains, customers to comment publicly on any aspect of the corporate commitments highlighted above. Commit to upholding this right **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

12. Commit to providing an Open, Transparent and Real-Time API of the data committed above to any organisation which upholds the commitments listed above, Commit to providing this data **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain.**

13. Commit that all data, api's and information released under the open sector charter will remain open under creative commons licence, **in every jurisdiction in the world in which it is economically active, broken down by jurisdiction; with a commitment to year on year drive this throughout its entire supply chain. (Q Johns 18/06/13)**