A Simple Illustration of FairShares in Practice

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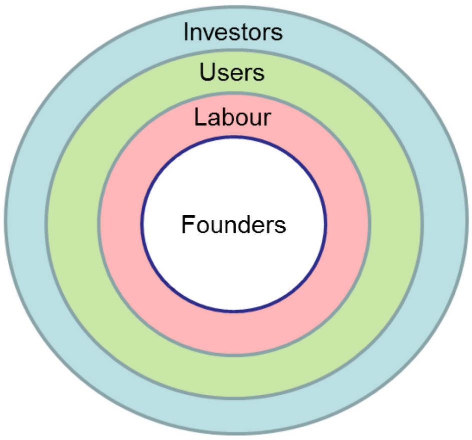
FairShares is about finding a way to share power and wealth equitably amongst four stakeholder groups who are needed to make an enterprise successful. Our starting assumption is that there are four different contributions that come together in a successful enterprise. In this document, I will argue that the four contributions could be made by one person, but are more often organised jointly. I will also argue that each person can make more than one contribution. **The FairShares Model helps you to recognise, manage and reward each type of contribution in an ethical and just way.**

Imagine that you and two close friends devise a recipe using organic produce. To test it, you jointly cook and eat it until you judge that the recipe is perfect. Creating the recipe, purchasing the ingredients, cooking the meal and eating it is your joint enterprise. As the authors of the recipe you are the group who have initiated the enterprise. You are – in FairShares terms – the *founders*. It is your initiative in creating a new recipe that makes you the founders. However, in this case you also supplied *labour.* You also consumed what you cooked – you were the *users* of the meal you created. Lastly, by purchasing the ingredients, you were also the financial *investors*. In short, **as the creators, providers of labour, users of the food and investors of money, you expressed four different interests** in your project (**these are the four interests recognised in the *FairShares Model***).



So, let us now consider what happens when you share this with other colleagues. They are enthusiastic, so you write down the recipe (which includes information on the ingredients as well as how to cook them). When you do this you jointly acquire (in law) the intellectual property rights in the recipe.

Your colleagues want to hold a party. You could take the initiative again. The founders could buy the ingredients, act as host for the meal, cook the food and clear up afterwards. If you do, you are – once again – the founders, providers of labour, users of what you produce and financiers (of the party).

But it might unfold another way. You might give the recipe to one of your work colleagues to arrange a party at work. They purchase the ingredients, cook the food and invite their friends to eat it. You – as creators of the recipe – provided the know-how, but you let someone else use your intellectual property so they can make the recipe and eat the results. Your work colleague bears the cost of buying the ingredients (i.e. becomes the financial contributor). Clearly, this wider group can each take on more than one role each and it is efficient to do this. **Giving recognition to each important contribution (the people with skills, materials and money) is another aspect of the FairShares Model – everyone who makes the enterprise successful is treated as a joint member.**

Lastly, let us now consider that your work colleagues are so enthused that they wish to form a cooperative association to spread knowledge of the recipe, create new recipes based on the original one, organise (paying) events for people to try them and go to food festivals to sell them to the public. Now, everyone interested in forming a cooperative association faces several choices. Who will be the founders of the association? Who will provide the labour (and will it be paid)? Who will be invited to events organised by the association and how will they pay for the food (will it be through a member subscription, retail price, or both)? Who can make financial investments in the association and what will be the terms?

In an association, many people can have many interests. Several people may be founders, provide labour and eat (or use) the food produced by their labour. Operating as a cooperative association, members can organise according to FairShares values and principles by enfranchising everyone according to their interests and rewarding them for their contributions to buying, producing, eating and investing in the recipes.

But if the creators of the first recipe wanted to put a stop to this, they could exercise their intellectual property rights in the original recipe. They could publish it and claim it as private property by exercising their copyright. Others would then have to pay for a copy of it and observe the founders terms and conditions to use it. Instead of an association, they create a private company, abandon FairShares principles, become the legal owners of all the capital (shares) in the new company. Founders may employ friends (but not make them company members). Founders keep the profits (after paying wages). Founders take out bank loans (so as not to offer anyone else shares in their company). Founders advertise to find customers, but do not offer them membership. As a private enterprise, customers are kept legally separate from employees, and employees separate from financial investors.

As this example shows, all four interests are always represented in an enterprise (founder, labour, user and investor), but they can be linked together in a variety of ways. Private companies separate and isolate the interests from each other, then bind them together again through *contracts* that give the founder(s) as much control as possible. In doing so, they create inequalities, differentiate rights and obligations, produce different outcomes for each of the interests represented. Employment contracts cover the rights of employers and employees (usually written by the employer). Contracts for the supply of goods cover the rights of suppliers and customers (usually written by the supplier). Contracts cover the terms of lending and borrowing (written by the lender).

FairShares companies, cooperatives, associations and partnerships, as far as it is possible to do so, integrate the four interests through membership. They allow all parties to negotiate terms for working, supplying, using, lending and borrowing, and are helped in this task by constitutions that encourage democratic control by all interest groups. In a FairShares company or cooperative, your recipe would still be recognised as yours, but the terms of membership would provide for a Creative Commons licence so that other members can copy, adapt and 'perform' your recipe without asking your permission (perhaps with a royalty payment to you).

Moreover, **a person can be a member of more than one group** depending on the contributions they make. They are rewarded equitably for *each* contribution (sharing the benefits and financial surpluses generated). Their membership (and dividends) reflect the nature and extent of their activities. Their vote is no longer based on a property right but on their active participation in the enterprise. **This is how a FairShares enterprise differs from a private, state or voluntary enterprise. It argues for the enfranchisement of all people who have a meaningful relationship with the enterprise and seeks to reward them equitably for *each* of their contributions.**