A not-for-profit world beyond capitalism and economic growth?

Jennifer Hinton and Donnie Maclurcan

abstract

At the heart of the failing growth-based, capitalist system is the ‘for-profit’ way of doing business. It is based on the idea that humans are mostly selfish and competitive, so the best way to motivate economic activity is to appeal to individual self-interest. Most approaches to resolve capitalism’s tendency to increasingly create socioeconomic inequality and ecological devastation entail either greater emphasis on the role of the state as the regulator or owner of industry, or, at the other end of the spectrum, voluntary market initiatives from the angle of ‘conscious capitalism’. However, there is a growing trend that points the way to an entirely different approach: not-for-profit enterprise. In this article, we first illustrate the connections between capitalism, for-profit enterprise and the growth-based economic system. We go on to explore how not-for-profit enterprise offers a way beyond the market-state dichotomy, highlighting the current trends and macroeconomic shifts that support the emergence of an entire economy based on not-for-profit enterprise. We finish with an introduction to the Not-for-Profit World economic model we have developed, exploring the hypothesis that the future of business lies with not-for-profit business models, and that such a shift, for the first time, enables a modern economy that is both socially and ecologically sustainable.

Background: Capitalism, for-profit enterprise and the growth fetish

Capitalism is an economic system in which most businesses and the means of production are privately owned and operated for profit (Shleifer, 1998). Underlying the modern evolution of this system has been the neoclassical concept of Homo economicus, in which humans are believed to be mostly selfish and competitive, and the best way to incentivize innovation and facilitate economic activity is to appeal to individual self-interest (Gintis, 2000). Across
capitalist markets, this principle is enacted via various forms of the for-profit firm, ranging from joint stock corporations through to benefit corporations. In most for-profit companies, owners and investors expect to maximise their returns on investment by receiving a portion of the company’s profits in the form of dividends, options, shares or other types of equity. The for-profit firm is so common that for most people, the term ‘business’ is synonymous with ‘for-profit’. The prevalence of for-profit business ensures we have a capitalist system and live in a ‘for-profit world’.

The extractive nature of the for-profit system requires an ever-growing economy (Hinton and Maclurcan, 2017). In order to allow a larger number of people to accumulate more and more wealth, the base of physical resources from which profits are generated must constantly expand. However, the pool of resources from which private wealth is accumulated cannot grow forever because the planet is finite; there are ecological limits to growth and, on its present track, the global economy is set to manifest full-systems collapse by 2050 (Turner, 2008). While its benefits have been numerous, the for-profit drive to accumulate wealth and property has led to massive ecological devastation.

Many believe that capitalism’s innovative potential can and will come to the rescue (see, for example, Hawken et al., 2008). Yet, as Jackson (2011) makes clear, the levels of innovation that would enable an absolute decoupling of economic growth from ecological destruction are totally unrealistic in a growth-based system.

The for-profit way of conducting business has also led to extreme socioeconomic inequality, with capital gains and company dividends being the greatest contributor to income divides in the US (Hungerford, 2011). This tendency to create evermore inequality is an inherent feature of capitalism (Piketty, 2014), and a natural outcome when private profit is seen as the primary driver of economic activity and profit maximization is the priority of most big businesses.

**Moving beyond the state versus (for-profit) market dichotomy**

Characterizing a residual tension in political economy literature, the most common suggestions for addressing this dysfunction focus on the role of the market versus the role of the state (Ostrom, 2009; Underhill, 2002). The market and state are often seen as being complementary forces that simultaneously constrain each other. The market is said to be the optimal force for producing and exchanging goods and services, while the state forces self-interested players in the market to contribute resources necessary for maintaining the basic
conditions for public health and wellbeing (Ostrom, 2009). Thus, the state constrains the market’s self-interest, while the market limits the state’s centralized control. This dichotomous way of looking at economics has restricted most economic thought to the market-state spectrum. At one extreme of the spectrum is free market capitalism, with the government playing a minimal role, while at the other extreme is state socialism, with the government controlling most economic activity (Arnold, 1996). As with any spectrum, there is also a variety of mixes of state and market along the spectrum. The majority of critical economic decisions revolve around what the optimal mix of market freedom and state control is, in terms of balancing productivity and efficiency with meeting the needs of the wider population (Ostrom, 2009).

On the state-heavy side of the economic spectrum, the high levels of inequality and ecological degradation are attributed to the self-interest of the market (see, for example, Klein, 2015). Such a perspective sees a greater role for the government in regulating the market and increasing taxation in order to address these issues (see, for example, Piketty, 2014). But while regulatory responses are critical in addressing social and ecological challenges, they can only do so much, given a heavily regulating state often proves politically divisive (Busemeyer, 2009). Furthermore, with politicians so commonly working to further the interests of big business, what is touted as regulatory reform is often just window-dressing for ‘business as usual’ (Fuentes-Nieva and Galasso, 2014). Because taxes and regulations are a purely top-down approach, any legislation that would have a high impact in terms of redistributing wealth is very difficult to pass in the current context of political capture (i.e., corporate control of politics) and corporate tax avoidance (Godfrey, 2014).

Corporate taxes and regulation can be considered ideologically at odds with the maximisation of private profit. Business owners and entrepreneurs receive conflicting messages that they should seek to maximise their financial gains via for-profit business, but that they should also give a large portion of their financial gains back to society or that they should forgo potential profits in order to operate in ways that benefit the broader community. In the capitalist context, taxation and regulation are methods to mitigate the destructive tendencies of profit-maximising corporations. Progressive taxation, for instance, is an attempt to compensate for the siphoning of wealth from the working classes to business owners and wealthy capitalists that naturally happens via for-profit business (Hinton and Maclurcan, 2017). This fundamental conflict is why, despite widespread calls to increase taxation and regulation, the crises of inequality and ecosystem collapse continue to worsen.
Others believe there is great value to be had in the state owning many of the enterprises in the industries it seeks to regulate (Belloc, 2013). The associated reasoning often lies in the idea that if corporations are not adequately meeting society’s needs, then the state is the only other actor that can provide essential goods and services, such as health care, education, infrastructure, and energy. Some successes can be noted, especially at the municipal level (see: Dubb, 2005) and in countries that have focused on developing state-owned enterprises, as distinct from commercial government agencies. However, in most countries the state has generally proven too large, centralized and bureaucratic to allocate resources more efficiently than the private sector (Boycko et al., 1996), and corruption within large bureaucracies remains an ever-present challenge. Even in countries where taxation is high and there are a large number of government-owned enterprises, inequality continues to rise (OECD, 2011).

At the other end of the state-market spectrum, there is the argument that the state concentrates power and is prone to inefficiency and bureaucracy, so state-driven responses create more problems than they solve (see, for example, Booth, 2011). Instead, this side of the spectrum calls for market-driven responses to the ecological and inequality crises of the 21st century, which entail voluntary efforts on behalf of business owners and managers to take more than profit into account in their operations. Ideas such as ‘conscious capitalism’, ‘shared value capitalism’ and ‘triple bottom line’ business put forth visions of a for-profit market that balances the focus on profit-maximisation with concern for social and ecological wellbeing (Mackey and Sisodia, 2014). Here, avenues like the benefit corporation and the B Corp certification are presented as some of the more appropriate vehicles for the market’s self-regulation (Porter and Kramer, 2011; Surowiecki, 2014).

Yet, while these avenues bring attention to important questions of sustainability, they fail to address a root problem. Such forms of business continue to treat profit as an end in itself, rather than a means to an end, encouraging the destructive greed inherent in a system that relies on the profit motive and the privatisation of the economy’s surplus. For-profit businesses are set up to financially benefit private owners and so have an inherent incentive to prioritise their owners’ financial concerns over the concerns of other stakeholders (O’Toole and Vogel, 2011). This is inherent in the for-profit legal model. Environmental

1 Take, for example, Sweden, in which state-owned enterprises contribute approximately 8 per cent to the national GDP. See: http://www.government.se/content/1/c6/24/81/93/30fcec38.pdf.

health and wellbeing are an afterthought in for-profit business, not built into the fabric of the legal structure, even in ‘conscious capitalist’ models. These businesses take environmental and social concerns into account only if they are also able to generate high profits for their owners, because it is antithetical for them to sacrifice shareholder value for environmental or social concerns (Crane et al., 2014). Therefore, the attempts at triple bottom line business, unfortunately still result in single bottom line thinking when it comes to difficult decisions in which profit, people and planet do not naturally align.

It is also important to note that, because these businesses privatise profit, they require constant expansion (Hinton and Maclurcan, 2017), which is fundamentally at odds with the planet’s ecological limits. Furthermore, in the context of self-interested businesses competing for market position, concentration of wealth and power are inevitable, as more wealth enables owners to buy even more equity and assets which generate more wealth for the owner, making increasing levels of inequality inherent in capitalism of the 21st century (Piketty, 2014).

Although there have been some attempts to describe the potential for a worker-led economy dominated by worker-owned co-ops (see, for example, Luviene et al., 2010), this is just another flavor of capitalism, as worker-owned co-ops entail the profit motive and private ownership of businesses. They fall into the for-profit economy category and will, thus, face the same challenges discussed above.

Both state-driven and market-driven responses assume a for-profit market. The advocates of state-driven solutions are right that the for-profit market has led to the crises of inequality and ecological degradation because it promotes short-term thinking and acquisitive behavior via the profit motive. Similarly, advocates of market-driven solutions are right that the state does tend to concentrate power, as a hierarchical, centralized authority, and is thus prone to bureaucracy and inefficiency. This seemingly leaves us in the famous realm of TINA (There Is No Alternative). What if there was a third way? What if we could have a purpose-driven market that uses all financial surplus only as a means to a greater end?

While calls for economic pluralism have become more mainstream (see, for example, Kanter, 2014), in both the state-centred and pro-market approaches, the not-for-profit (NFP) sector has received scant attention in terms of its potential to fundamentally transform the economy (Salamon and Anheier, 1997). Rather, NFP entities have typically been viewed as supportive actors to the market and the state, supplementing residual deficiencies, where relevant. But what if the recent evolution of NFP entities offers a path beyond the market-state dichotomy?
The emergence of not-for-profit enterprise

While the informal NFP economy has kept human civilization running since time immemorial, through care-giving and forms of non-monetary exchange, the emergence of the formal NFP economy is now fully underway.

Around the world, hundreds of thousands of entrepreneurial companies have business plans, make profits and pay good wages, yet are legally incorporated as ‘not-for-profit’. They are a bold response to the common misunderstanding, compounded by use of the words ‘nonprofit’ and ‘charity’, that NFP entities cannot make money. To the contrary, NFP organisations are increasingly generating their own revenue through the sale of goods and services (Salamon et al., 2013), as opposed to the traditional ‘nonprofit’ approach of depending on volunteers, grants and philanthropy. With a focus on income generation, these entities can be considered NFP enterprises, as distinct from charity-dependent nonprofit organisations.

Yet they also differ from for-profit enterprises in that these businesses must reinvest all financial surplus into mission-related uses (International Center for Not-for-Profit Law, 2013; Glaeser, 2003). None of their profits can be privatised, per the principle of non-distribution, which is part of the legal NFP distinction in all regions of the world (ibid.). So, not-for-profit really means just what it says: the primary purpose of the organisation is not profit. The company exists for a deeper purpose. So, rather than focusing on profit as a goal itself, profit is just a tool to help these organisations achieve their missions.

The number of NFP businesses entering the market is dramatically rising (Roeger et al., 2012). What can be considered an NFP enterprise is actually quite broad. Cooperatives, community interest companies, government-owned corporations, social businesses and social enterprises often operate as NFP businesses. In fact, there is renewed focus on successful, age-old business structures that most commonly exist as ‘not-for-profit’, such as consumer cooperatives, in the food, health care, insurance, housing, utility and finance sectors (Utting et al., 2014). From construction and manufacturing, through to software development, food catering and retail, NFP enterprise is permeating global commerce.

BRAC, a well-established NFP enterprise, very clearly illustrates the power of this business model. The Bangladesh Rural Advancement Committee (BRAC) was started by Sir Fazle Hasan Abed and two dozen volunteers in the early 1970s, just after Bangladesh gained its independence from Pakistan. The country had been ravaged by war and genocide and many people were struggling to meet
their basic needs. Abed was an executive at Shell Oil at the time, but he quit his job to help build houses, rehabilitate farmland and open healthcare clinics through the organisation he founded as BRAC. Over time, Bangladesh recovered and BRAC’s mission transformed from disaster relief to long-term development (Smillie, 2009).

The organization now has 115,000 employees, making it the largest NFP business in the world in terms of employment (BRAC, 2014). BRAC’s social mission is to meet the needs of financially disadvantaged people in Bangladesh. Specifically, they run educational programs and provide healthcare services to rural populations. Rather than depending on donations and philanthropy to fund the good work they do, BRAC runs businesses. They fund their social efforts through many different revenue streams, operating banks, food processing plants, renewable energy infrastructure, professional print and copy shops, and department stores that sell products made by rural artisans (BRAC, 2012). In 2012, BRAC’s revenue was 521,400,000 U.S. dollars, seventy percent of which was generated through business activities (ibid.). It is estimated that BRAC positively impacts the lives of 135 million people (BRAC, 2014).

By changing the nature of incentive and ownership in business, the NFP model enables companies to make more sustainable decisions. For instance, American consumer food cooperatives3 outperform their for-profit grocery store counterparts in terms of a wide array of economic, environmental and social indicators. They work with more local farmers and producers, carry three times as many locally-sourced products, donate more than three times as much income to charities, sell twenty-four times as many organic groceries, spend six percent more of their revenue on local wages and benefits, have significantly higher rates of recycling, and are more energy-efficient (National Coop Grocers, 2012).

What is facilitating the rise of NFP enterprise? Across many sectors, the costs of starting a business are falling dramatically (Miller and Bound, 2011). Large capital investments are proving less and less necessary to seed innovation, enabling the emergence of NFP businesses such as car manufacturing company Wikispeed and solar power plant designer Zenman Energy. Furthermore, new forms of capital-raising, such as crowdfunding, revenue-based finance, peer-to-peer lending, membership-shares and community bonds, are now available to NFPs.

3 All consumer cooperatives are not-for-profit, as they are purpose-oriented and have no private distribution of profits. Any ‘dividends’ will never come close to the amount the member has spent at the co-op during the year, so this is more accurately seen as refund for some of the money spent at the co-op, rather than a dividend based on equity.
Even in cases where start-up costs are high, NFPs have been able to use such capital-raising strategies to generate impressive amounts of financial capital. This includes the Dutch NFP company, The Ocean Cleanup, which raised $2 million from a crowdfunding campaign, enabling the business to make capital investments in the research and development of technology to extract plastic pollution from the oceans (The Ocean Cleanup, 2014). Another example is Glas Cymru, an NFP company in Wales that raised £1.9 billion by issuing community bonds in order to buy Welsh Water from a for-profit company in 2001 (Glas Cymru, 2016). They paid down the bonds in 6 years, providing a small financial return and a big social return to their community investors (ibid.).

This is not to say that NFP businesses don’t face challenges. In the U.S., for instance, tax exempt NFPs are limited in the amount of ‘unrelated business income’ they are allowed to generate, which means that the large majority of their revenue must come from activities that directly relate to their charitable purpose (IRS, 2015). However, it is fairly easy for American NFPs to overcome this barrier by starting a subsidiary company, which is allowed to undertake business activities that are not related to the parent company’s purpose (ibid.).

Regardless of the limitations, which vary by region, it is always possible to run a for-profit company like an NFP by including a primary social or environmental objective, an asset lock and a non-distribution clause in the business’s by-laws or statutes. There are a number of for-profit businesses that act like NFPs, due to real or perceived barriers to being legally incorporated as not-for-profit (Hinton and Maclurcan, 2017).

Many NFP managers also struggle with not having much knowledge or experience in running a business (Massarsky and Beinhacker, 2002). However, this can be overcome by intentionally bringing on board members, managers and other staff with business experience.

The transition to a not-for-profit world

The performance of not-for-profit entities in the marketplace has long been a topic of study (James and Rose-Ackerman, 2013). Yet, analyses assessing NFP performance commonly start from the perspective that significant NFP competitiveness in the marketplace might be an inappropriate irregularity. Often, the underlying aim of such research is to question whether NFP competition limits the capacity of a functioning market (see, for instance, Liu and Weinberg, 2004). But what if, rather than an irregularity, the next natural step in the evolution of the global economy was towards an NFP market? What if, ironically,
the growing ability for NFP businesses to outcompete for-profit peers was part of a larger cultural shift towards a collaborative Not-for-Profit World?

We see the possible transition to an NFP market economy building on two current trends: the weakening of the for-profit system, and larger social and economic trends creating more fertile ground for an ecosystem of NFP businesses.

A few important macroeconomic developments are weakening the global for-profit economy. The first is that inequality is steadily rising and is forecast to continue on that trajectory (Piketty, 2014). Inequality adversely affects economic growth (Cingano, 2014). Thus, the for-profit economy inhibits the very growth on which it depends in order to allow capitalists to amass ever more wealth. The ongoing automation of production and the emergence of a zero marginal cost economy only serve to reinforce this downward spiral (Rifkin, 2014). Thus, due to a combination of extreme inequality, stagnant real wages (ILO, 2014), extreme indebtedness (BBVA, 2015), and slowing economic growth (World Bank Group, 2016), the capitalist economy is faltering, globally. Combined with the reality of limited natural resources, it is very difficult to see how this growth-based system will continue to function well through the coming decades.

At the same time, the foundation for an NFP economy is being laid. The dominant story about human nature is rapidly changing as research increasingly shows that, under the right conditions, human nature has a tendency towards cooperation, generosity and altruism (Bowles and Gintis, 2013; Rand and Nowak, 2013). This is manifesting in the economy through trends such as collaborative consumption (Botsman, 2010), peer-to-peer production (Bauwens, 2006), and the rise of a workforce increasingly motivated by purpose (Pink, 2009). Fitting with this shift, NFP enterprise appeals to the best aspects of human nature, given the primary purpose of NFP enterprises is to fulfill social and/or ecological needs.

The evolution of business is also beginning to lead us away from the purely for-profit paradigm (Laszlo, 2001). Calls for more ethical, environmentally-friendly forms of business have driven the emergence of ‘conscious capitalism’ and the triple bottom line business models we mentioned earlier, as well as the emergence of social enterprises, community interest companies and a renewed interest in cooperatives in many parts of the world. In essence, the crises of the for-profit world are driving the market in a more ethical, socially and environmentally conscious direction over the long-term (Hinton and Maclurcan, 2017).
This general direction of business competitiveness means that NFP businesses hold increasingly important advantages in the marketplace of the 21st century. In a world with rising demand for ethical products and services (Long and Murray, 2014), organizations that focus on fulfilling human and ecological needs are ahead of the game. Not-for-profit entities also have an advantage in a context in which the workforce is increasingly searching for employment that offers a deeper sense of purpose, because workers are purpose-oriented, rather than profit-oriented. Not-for-profit businesses more easily draw on the support of passionate volunteers. They are also able to gain tax exemptions and have the ability to receive tax deductible donations (Glaeser, 2003). And their propensity for flatter organizational structures (Borzaga and Solari, 2001) enables exciting prospects for productivity and innovation. Not-for-profit businesses also do not have to pay dividends and can often offer lower prices (Lakdawalla and Philipson, 2006; Yong and Weinberg, 2004), primarily because they are not-for-profit, as many NFP businesses declare on their websites.4

For example, American credit unions, which are required by U.S. law to be not-for-profit, offer their 100 million members consistently higher returns on deposits, lower loan rates, and are increasingly recognized amongst consumers (ABCUL, 2014). Likewise, NFP hospitals in the U.S. are more profitable than their for-profit equivalents (Sesana, 2014). In the U.K., not-for-profit leisure centers are significantly outperforming for-profit health and fitness chains (SE100, 2014). And globally, mutual and cooperative insurers have significantly outperformed the rest of the insurance market since the onset of the 2007-2008 financial crisis (ICMIF, 2014).

Other evidence of these advantages includes job growth and average pay gains in the U.S. not-for-profit sector outpacing gains in the for-profit sector since the 2008 downturn (Morath, 2014). In fact, NFP enterprises have proven largely resilient to impacts of deregulation and recession, with the U.S. not-for-profit sector having grown significantly faster than the for-profit sector between 2001 and 2011, and this from a large base of 1.259,764 organizations (Roeger et al., 2012).

Unlike implementing regulation and taxation, which depends on lawmakers who are not easily swayed by corporate interests, the emergence of an NFP World does not rely on a narrow group of people to make drastic top-down changes. It also doesn’t require a battle against vested interests in political arenas. Therefore,

it is not nearly as constrained by political capture as are so many other proposals. Instead, the transition to an NFP economy requires that consumers and governments increasingly buy products and services from NFPs instead of for-profits, that entrepreneurs increasingly start up businesses as NFPs instead of for-profits, and that workers increasingly work for NFPs instead of for-profits. Considering the macroeconomic and social trends mentioned above, this transition seems feasible.

That is not to say that a transition from the current for-profit economic paradigm to an NFP economic paradigm would be without difficulties. Potential challenges to the development of an NFP World include inertia as well as active resistance from the for-profit world. The for-profit way of thinking about business and the economy is so deeply embedded in social norms throughout the world that it is very difficult for many people to imagine an economy that doesn’t revolve around private accumulation and the profit motive. In fact, many people are very attached to these ideas and have built their lives around them. In addition to this inertia, there might very well be active resistance to NFP enterprise in the form of large for-profit corporations pushing for legislation that restricts NFPs from doing much business. If for-profit companies feel threatened enough by NFP competitors, there is the possibility of for-profits deliberately co-opting NFP language, creating an ‘NFP-washing’ phenomenon. Similar to ‘green-washing’ wherein corporations claim that they are actually more ‘green’ and ‘eco-friendly’ than they are, for-profit companies could give the inaccurate impression that they are NFP. The potential of such co-option is limited, though, as the NFP legal distinction is not something that for-profit companies can co-opt. In an extreme scenario, for-profit business owners might even try to sabotage the NFP reputation by starting up NFPs and intentionally running them in corrupt ways.

This is why a transition to an NFP economic paradigm requires a strong social movement, the foundations for which already exist. The NFP World model has the potential to resonate with, and perhaps even unite, many diverse existing social movements all over the world, as a vision worth working towards collectively. This includes movements that focus on social justice and inequality like Occupy Wall Street, Move Your Money, Make Poverty History, campaign finance reform, and the divestment movements, as well as the global environmental and climate change movements.

Capitalism is what Rianne Eisler (1988) calls a dominator model, as it is organised around the principles of competition and private accumulation, whereas the NFP model is what Eisler calls a partnership model, as it is
organised around principles of cooperation and collective wellbeing. As such, the NFP World has the potential to resonate with groups that have been marginalised under the dominator capitalist regime, such as women, ethnic and religious minorities, indigenous groups, migrants, and lower-income groups.

The transition to an NFP World requires activists to raise awareness about the failings and flaws of for-profit business and the strengths and potential of NFP business. It requires consumers to continue to become more conscious about their consumption patterns, deciding to support the companies they deem most ethical. It requires entrepreneurs and business leaders to continue to move away from the strict focus on profit-maximization and to be open to the NFP business structure.

Traditional nonprofits can support this shift by moving in a more business-minded direction. Policy-makers can support it by maintaining or implementing wide tax exemptions for NFPs as well as policies that require a high level of transparency and accountability of NFPs. Educators can support this transition by teaching NFP enterprise as a viable business structure, as well as encouraging students to question the assumptions of the for-profit economy.

Over time, the failing of the for-profit economy coupled with increasing support for NFP business and the corresponding ethic of enough could result in a transition from the for-profit economic era to the not-for-profit economic era.

How might a world look in which every business was operated not-for-profit? And how might the NFP World successfully function? Doesn’t the end of the ‘profit-motive’ (as associated with private profit) and the end of economic growth spell social decline and collapse?

A closer look at the not-for-profit world model

While the NFP World model is radically different from the for-profit capitalist system, it also builds on the strengths of the existing system. As a conceptual model, the NFP World has a truly efficient market, created by shifts to NFP structures within the business sector; increasing entrepreneurialism and autonomy in the NFP sector; and increasing social innovation and

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5 Competition is an important element in the NFP World model, as in any market economy, but it takes place within a larger framework of cooperation, as all NFPs have social and environmental goals, so it is often appropriate to collaborate to achieve shared goals. This level of cooperation is not possible in a market economy that is geared towards private accumulation.
entrepreneurialism in the public sector, which is already not-for-profit. Yet such an economy requires less taxation, because many large bureaucracies are replaced by localised, financially independent not-for-profit service providers.

The shift of the financial sector from for-profit to NFP is vital. Banks, money, loans and interest remain in the NFP World. It is just that, within an NFP framework, these things have vastly different consequences. Not-for-profit banks have no shareholders, owners, or partners that they need to keep happy with dividends and private returns (Glaeser, 2003). Thus, they have no reason to exist other than to provide high-quality financial services to their customers, and they have very little to distract them from this mission.

Presumably, the owners of for-profit banks take more money from their banks than they pay into them each year, while the borrowers who take out loans from those banks pay more into the banks than they take from them each year. In this way, for-profit banks move money from the hands of people who don’t have enough money (those who take out loans) to those who have more than enough money (those who own banks), exacerbating high levels of financial inequality. In contrast, NFP banks have no owners and must allocate all profits according to their social mission (Glaeser, 2003), enabling the circulation (rather than accumulation) of wealth.

Consider the hypothetical example of a woman who wants to start an NFP enterprise. She goes to a bank to take out a loan. Irrespective of whether her business is successful, the loan is repaid with interest, contributing to the bank’s profits. If the bank she went to is for-profit, that bank distributes its profits to its owners, investors and/or shareholders. Following existing trends, the money would then remain concentrated in the hands of a few, with the distributional effects from taxation and philanthropy insufficient to curb widening economic divides.

Alternatively, if the woman went to an NFP bank, after covering its operating expenses such as paying wages, it would use any profit to make financial services even more accessible to its customers, such as the woman herself. It would give better loans, and higher returns to all of its customer accounts. So, the interest on any loan is put back into the real economy, which in turn helps the woman’s business, because more people will have enough money to buy the goods and services they need.

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The differences between for-profit and NFP banking are extremely important, because banks are central to the modern market economy. Now imagine the entire financial sector being NFP. Imagine the entire retail sector being NFP. Imagine all manufacturing being NFP. All businesses in the economy would be facilitating the circulation of wealth, rather than its accumulation.

The NFP World keeps the surplus flowing throughout the system, as NFP companies invest 100% of their profits into their missions; this model keeps the wealth circulating throughout the real economy, rather than concentrating in the hands of a few wealthy capitalists. This circulation of money through the economy means that the pool of resources does not have to incessantly grow in order to compensate for money being siphoned out, because money isn’t being siphoned out. In this hypothetical scenario, overall levels of consumption actually decrease because reduced levels of debt and disparity remove the main drivers of the growth imperative inherent in the capitalist economy. In essence, the Not-for-Profit World does not require endless growth because surplus of the economy (i.e. profit) is reinvested according to social and environmental goals rather than being amassed by individuals. There is a constant circulation of wealth built into the NFP World. Indeed, the NFP World represents an ‘economics of enough’ and a truly circular economy for a post-growth future.

An economy that serves people, rather than the other way around, also has a healthier relationship with the wider ecological system within which it is embedded. In building on and reinforcing trends such as open source manufacturing, cooperative business, and relocalisation, the evolution to an NFP World promotes reduced ecological footprints. By making the ways in which the economy services needs more local and efficient, the whole system becomes more eco-efficient. Because the NFP market economy does not seek to constantly expand and maximise profit, it allows people to increasingly recognize that not all human needs can or should be met by the market and they can rely more on community ties to get things done and the monetized economy can shrink. Overall, this means less consumption, less work, more leisure time and stronger communities. As the economy becomes more purpose-driven, rather than profit-driven, the need for economic growth disappears.

Conclusion

The for-profit way of doing business is at the heart of capitalism. The extractive nature of the for-profit economy is worsening current social and ecological crises. For-profit enterprise is also becoming obsolete in a world that is increasingly oriented towards collaboration. As Western culture shifts and becomes more
sustainability-oriented, and as capitalism and the era of economic growth reach their demise (see Heinberg, 2011; Rifkin, 2014), it is becoming clearer that our transition to a new economic system might be rooted in the strengths of an existing business model: not-for-profit enterprise.

The foundation for an economy based on NFP enterprise is already being laid. It is taking shape in new and old business forms and can be seen in every sector of the economy. Not-for-profit enterprises are increasingly prevalent in the marketplace, due to numerous competitive advantages linked to underlying cultural shifts. Rooted in their social mission and the ‘purpose motive’, these enterprises are based on a more complex story of human nature and meet human needs in ways that are healthier for people and the planet (Hinton and Maclurcan, 2017). It is only when profit is a means to an end, rather than an end in itself, that an economy can truly address social and ecological needs. By changing the nature of incentive and ownership in business, the NFP World model enables deep sustainability, and redefines the meaning of an ‘efficient market’.

To say that the NFP World might be the natural next step in the evolution of economics is not to say that it is inevitable. To the contrary, the transition requires human agency on the part of entrepreneurs, citizens, consumers, activists and lawmakers. Nor is it our claim that a transition to a completely not-for-profit economy would equate with an entirely equal, sustainable society. Rather, our hypothesis is that society cannot move beyond the current social and ecological crises without also moving beyond the privatisation of profit. Likewise, for-profit business is not compatible with a post-growth economy. In essence, a NFP World is necessary, but not sufficient, for deep sustainability. The NFP World model has the potential to effectively address the issues of inequality and ecological deterioration, because it resolves the internal conflicts of capitalism that neither the typical state-driven responses nor the for-profit market-driven responses can.

For the first time in modern history we have the structures, capabilities and impetus to evolve to a Not-for-Profit World, in which the best energies and drivers of good business are harnessed for our collective flourishing.

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**the authors**

Jennifer Hinton is a Co-Director of the Post Growth Institute and co-author of the book, *How on Earth: Flourishing in a not-for-profit world*. She has a master’s degree in Environmental Studies and Sustainability Science and is currently working with the EU-funded project ‘AdaptEcon: Adapting to a new economic reality’, as a Marie Curie PhD fellow at the Stockholm Resilience Centre. In all of her work, Jennifer seeks to bridge activism, research, and business in order to co-create a more sustainable future for humanity.

Email: jen@postgrowth.org

Donnie Maclurcan, PhD, is Executive Director of the Post Growth Institute and Affiliate Professor of Social Science at Southern Oregon University. He has worked with more than 350 not-for-profit projects, spanning 30 countries, and has co-founded Free Money Day, the Post Growth Alliance, the (En)Rich List, Cascades Hub, and Project Australia.

Email: donnie@postgrowth.org