



Relationship-to-Profit: A Theory of Business, Markets, and Profit for Social Ecological Economics

Jennifer Hinton

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Relationship-to-Profit: A Theory of Business, Markets, and Profit for Social Ecological Economics

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Abstract

How does the relationship between business and profit affect social and ecological sustainability? Many sustainability scholars have identified competition for profit in the market as a key driver of social exploitation and environmental destruction. Yet, studies theorizing a sustainable economy rarely question whether businesses and markets have to be profit-seeking. The widespread existence of not-for-profit forms of business, which approach profit as a means to achieving social benefit, suggests that there are other ways of organizing business and markets that might be more sustainable.

In this thesis, I use a critical institutional economics lens and systems thinking to synthesize existing theory and knowledge about how business, markets, and profit affect sustainability outcomes, in order to explain how alternative approaches to these institutions might produce different outcomes. The result is a new theory about how *relationship-to-profit* (the legal difference between for-profit and not-for-profit forms of business) plays a key role in the sustainability of an economy, due to the ways in which it guides and constrains actors' behavior, and drives larger sustainability-related dynamics.

In **Paper 1**, I develop a conceptual framework for understanding the tradeoffs and synergies between profit and social-ecological sustainability. I show how profit-seeking strategies can be examined to assess whether they derive profit from: efficiency gains; willing and informed contributions from social stakeholders; or exploitation of social or ecological stakeholders. These bounded sources of profit imply limits to profit. Therefore, in order for businesses and markets to be sustainable, they should see profit as a means rather than an end in itself. In **Paper 2**, I explain that whether profit is seen as a means or an end manifests through both voluntary objectives (i.e., if a business explicitly pursues profit as a goal) and financial rights (i.e., the right or obligation to distribute profit to private owners).

Some forms of business encourage profit-as-an-end more than others. In **Paper 3**, I outline ideal types of for-profit and not-for-profit economies, and describe the expected dynamics of these systems based on the regulative aspects of relationship-to-profit. The legal purpose, ownership (i.e., private financial rights), and corresponding investment structures of for-profit forms of business encourage firms to see profit as an end. The pursuit of unlimited financial gain and the private distribution of the surplus by for-profit business tend to drive the growth of consumerism, environmental degradation, inequality, market concentration, and political capture. In a not-for-profit type of economy, businesses do not have a financial gain purpose or private financial rights. Profit in such a system is used as a means to achieve social benefit. This results in higher levels of equality and opens up the space for more effective sustainability interventions.

Yet, relationship-to-profit is only one dimension of business that is important for sustainability. In **Paper 4**, I develop a framework to structure

analyses and wider discussions of post-growth business around five key dimensions of business: (1) relationship-to-profit, (2) incorporation structure, (3) governance, (4) strategy, and (5) size and geographical scope. The framework clarifies that, as a legally-binding formal institution that specifies the financial rights and legal purpose of a business, relationship-to-profit guides and constrains all of the other dimensions. As such, the relationship-to-profit dimension is essential for aligning business with sustainability.

The theory developed in this thesis offers an explanation of how key institutional elements of business and markets drive social and ecological sustainability outcomes. A better understanding of these institutions, in turn, allows for more effective sustainability interventions.

Key words: Sustainability, Sustainable economy, Sustainable business, Institutional analysis, Systems thinking, Post-growth economy, Degrowth, Not-for-profit business

Sammanfattning

Hur påverkar förhållandet mellan företag och vinst social och ekologisk hållbarhet? Många forskare inom hållbarhet har identifierat konkurrens om vinst på marknaden som en viktig drivkraft bakom social exploatering och miljöförstöring. Ändå ifrågasätter studier sällan om företag och marknader måste vara vinstsökande. Den stora spridningen av icke vinstdrivande företagsformer som ser vinst som ett sätt att uppnå social nytta påvisar att det finns andra sätt att organisera företag och marknader som kan vara mer hållbara.

I denna avhandling utgår jag från kritisk institutionell ekonomi- och systemtänkande för att syntetisera befintlig teori och kunskap om hur företag, marknader och vinst påverkar hållbarhetsresultat för att därigenom förklara hur alternativa tillvägagångssätt för dessa institutioner kan ge andra resultat. Resultatet är en ny teori om hur relation-till-vinst (den juridiska skillnaden mellan vinstdrivande och icke-vinstdrivande företagsformer) spelar en avgörande roll i en ekonomis hållbarhet, genom det sätt på vilken den styr och begränsar aktörernas beteende och påverkar större dynamik.

I **Paper 1** utvecklar jag en konceptuell ram för att förstå intressekonflikter och synergier mellan vinst och social-ekologisk hållbarhet. Jag visar hur vinstsökande strategier kan undersökas för att bedöma om vinsterna härrör från: effektivitetsvinster; frivilliga och informerade bidrag från sociala intressenter; eller exploatering av sociala eller ekologiska intressenter. Dessa begränsade vinstkällor innebär gränser för vinst. För att företag och marknader ska vara hållbara bör de därför se vinst som ett medel snarare än ett mål i sig. I **Paper 2** förklarar jag att huruvida vinst ses som ett medel eller ett mål manifesterar sig genom både frivilliga mål (dvs. om ett företag uttryckligen strävar efter vinst som mål) och ekonomiska rättigheter (dvs. rätten eller skyldigheten att fördela vinst till privata ägare).

Vissa företagsformer uppmuntrar mer än andra till vinst som ett mål i sig. I **Paper 3** beskriver jag idealtyper av vinstdrivande och icke-vinstdrivande ekonomier och beskriver den förväntade dynamiken i dessa system baserat på de legala aspekterna när det gäller förhållande till vinst. Det rättsliga syftet, äganderätten (dvs. privata finansiella rättigheter) och motsvarande investeringsstrukturer för vinstdrivande former av företag uppmuntrar företag att se vinst som ett mål i sig. Strävan efter obegränsad ekonomisk vinst och den privata fördelningen av överskott från vinstdrivande företag tenderar att driva på tillväxten av konsumism, miljöförstöring, ojämlikhet, marknadskoncentration och politiska rov. I en icke vinstdrivande ekonomi saknar företag ekonomiskt vinstmål samt privata ekonomiska rättigheter. Vinst i ett sådant system används istället som ett sätt att uppnå social nytta. Detta resulterar i högre nivåer av jämlikhet och öppnar upp för mer effektiva hållbarhetsinsatser.

Relationen till vinst är emellertid bara en dimension av verksamheten som är betydande för hållbarhet. I **Paper 4** utvecklar jag ett ramverk för

strukturella analyser och bredare diskussioner om företag post-tillväxt kring fem viktiga dimensioner av verksamheten: (1) relationen till vinst, (2) integrationsstruktur, (3) styrning, (4) strategi, (5) storlek och geografisk omfattning. Ramverket tydliggör att, som en juridiskt bindande formell institution som specificerar de ekonomiska rättigheterna och det juridiska syftet med ett företag, styr förhållandet till vinst och därigenom begränsar det alla andra dimensioner. Därför är dimensionen förhållandet till vinst viktig för att anpassa verksamheten till hållbarhet.

Teorin som utvecklats i denna avhandling ger en förklaring till hur viktiga institutionella inslag i näringslivet och marknader driver sociala och ekologiska hållbarhetsresultat. En bättre förståelse för dessa institutioner i sin tur effektivare hållbarhetsåtgärder.

Résumé

Comment la relation des entreprises avec le profit affecte-t-elle la soutenabilité sociale et écologique? De nombreux spécialistes du développement durable ont identifié la course au profit comme un moteur clé de l'exploitation sociale et de la destruction de l'environnement. Pourtant, les études mettent rarement en question la nécessité de cet impératif de profitabilité. L'existence très répandue de formes d'entreprises à but non lucratif suggère qu'il existe d'autres façons de penser l'entreprise.

Dans cette thèse, je mixe économie institutionnelle et dynamique des systèmes pour mieux comprendre la manière dont les entreprises, les marchés et le profit affectent les performances en matière de durabilité, et cela afin d'expliquer comment des approches alternatives à ces institutions pourraient produire des résultats différents. Le résultat est une nouvelle théorie sur la façon dont la relationship-to-profit (la relation des entreprises vis-à-vis de leur profit) joue un rôle clé dans la soutenabilité d'une économie, et cela car elle guide et contraint les comportements dans une dynamique plus large.

Dans l'**Article 1**, je construis un cadre conceptuel pour mieux comprendre les compromis et les synergies entre le profit et la soutenabilité socio-écologique. Je montre comment les stratégies de recherche de profit peuvent être examinées en fonction de la source de leur profit : les gains d'efficacité ; les contributions volontaires et éclairées des acteurs sociaux ; ou bien d'une exploitation sociale ou/et écologique. Ces sources de profit limitées impliquent des limites au profit. Par conséquent, pour que les entreprises et les marchés soient soutenables, ils devraient considérer le profit comme un moyen plutôt que comme une fin en soi.

Dans l'**Article 2**, j'explique que le fait que le profit soit vu comme un moyen ou une fin se manifeste à la fois par des objectifs volontaires (si une entreprise poursuit explicitement le profit comme but) et des droits financiers (le droit ou l'obligation de distribuer le profit à des propriétaires privés).

Certaines formes d'entreprise encouragent le profit en tant que fin plus que d'autres. Dans l'**Article 3**, je décris deux idéal-types d'économie, une à but lucratif et l'autre sans, et je décris la dynamique de ces systèmes. Le but juridique, la propriété (i.e. les droits financiers privés), et les structures d'investissement correspondantes des entreprises à but lucratif les encouragent à considérer le profit comme une fin. La recherche d'un gain financier illimité et la distribution privée des profits par ces entreprises tendent à stimuler le consumérisme, la dégradation de l'environnement, les inégalités, la concentration du marché et la corruption économique de la vie politique. Dans une économie à but non lucratif, les entreprises n'ont pas d'objectif de gain financier ni de droits financiers privés. Le profit dans un tel système est utilisé comme un moyen d'atteindre un objectif social. Cela se traduit par des niveaux d'égalité plus élevés et ouvre la voie à des politiques de soutenabilités plus efficaces.

La relation au profit n'est pas la seule dimension d'une l'entreprise qui est importante en termes de soutenabilité. Dans l'**Article 4**, je développe un cadre analytique pour permettre une discussion plus large sur la forme que prendrait une économie post-croissance ; plus spécifiquement, je fais la distinction entre cinq dimensions clés de l'entreprise : (1) la relation au profit, (2) la structure juridique, (3) la gouvernance, (4) la stratégie, et (5) la taille ainsi que la portée géographique. Le cadre précise que la relation à but lucratif guide et contraint toutes les autres dimensions. En tant que tel, cette dimension est essentielle pour aligner repenser l'entreprise de manière soutenable.

La théorie développée dans cette thèse explique la manière dont les éléments institutionnels clés des entreprises et des marchés déterminent les résultats de soutenabilité sociale et écologique. Une meilleure compréhension de ces dynamiques permettrait des politiques de soutenabilité plus efficaces.

Papers

Paper 1:

Hinton, J.B. “Limits to Profit? A conceptual framework for understanding profit and sustainability.” Manuscript to be submitted to *Ecological Economics*.

Paper 2:

Hinton, J.B. and Cornell, S.E. “Profit as a Means or an End? An analysis of diverse approaches to sustainable business.” Under review for *Journal of Cleaner Production*.

Paper 3:

Hinton, J.B. 2020. “Fit for Purpose? Clarifying the critical role of profit for sustainability.” *Journal of Political Ecology*, 27 (1): 236- 262.

Paper 4:

Hinton, J.B. “The Five Dimensions of Post-Growth Business: Putting the Pieces Together.” Under second round of review for *Futures*.

Related work

This dissertation is a further development of previous work:

Hinton, J. and Maclurcan, D. 2016. *How on Earth: Flourishing in a Not-for-Profit World by 2050* (working draft). Ashland, OR: Post Growth Publishing. <https://arxiv.org/pdf/1902.01398.pdf>

Hinton, J. and Maclurcan, D. 2017. “A not-for-profit world beyond capitalism and economic growth?” *Ephemera Journal* 17 (1): 147-166.

Preface

All economic thinking comes from certain minds, in particular historical and cultural contexts. Along these lines, it is worth mentioning a bit of my own context.

I am a white American woman from a middle-class family in Colorado, who has experienced a variety of facets of the current economic system. I grew up fully immersed in the business world, as my mom and dad have both been successful business managers and owners. They encouraged me to start working from an early age, so I have a relatively long and varied employment history. I have worked at restaurants, a grocery store, an insurance company, a hospital, and a few different schools. I have also been a freelance educator, editor, and workshop facilitator.

In addition to having experienced multiple different business environments from various vantage points, I have also experienced the unsustainability of our global economy in diverse contexts. After receiving my bachelor's degree in International Affairs from the University of Colorado, I moved to a rural village in China, where I taught English at a public high school for six months. In that village, I witnessed an environmental disaster unfolding, due to the pollution from an increasing number of factories in the area. The fish in the small nearby river had mostly died off and the consequences for human health were already evident, as a local doctor informed me. Although, the people of the village were financially poor and suffered from the environmental pollution of their air and water, they had a deep sense of community cohesion and family connection that I had never before seen. The intense experiences of life in rural China made me start to question the mainstream narrative of development. It was clear that the Chinese village that hosted me was not less developed than my community in Colorado. It also appeared that industrialization might be doing more harm than good to the people of China, given its environmental consequences. I was inspired to learn more about sustainability so that I might be able to help prevent the further suffering of people and ecosystems in places like rural China.

I attended Lund University's two-year master's program in Environmental Studies and Sustainability Science, in Sweden. After I finished my master's degree in 2008, I returned to the US only to find the economy in a death spiral. Even with a fresh master's degree in sustainability, the only paid work I could find was at a coffee shop. After a short stint of serving coffee in Colorado, I decided to move to Athens, Greece in 2009 to be with my (now) husband whom I had met in Sweden. Of course, I arrived just in time to experience the infamous Greek economic crisis. Living in downtown Athens, the devastating effects of the crisis were part of my everyday experience for six years; from our Greek friends and family members who found themselves out of work to the growing number of people living on the streets, from the increased rates of drug use and suicide to the frequent demonstrations and the smell of tear

gas seeping through our living room window. Out of the desire to seize the crisis as an opportunity for positive change, I joined initiatives that were working to build up a more sustainable economy in Greece. I also joined the Post Growth Institute, an international group of researchers and activists, to help find sustainable pathways forward.

I have lived much of my adult life in economic crises. I grew up hearing about global warming and species going extinct. And I have witnessed the human and environmental costs of “development” first hand. These life experiences drive me to contribute to solutions. The knowledge of sustainability issues and systems thinking that I gained in my master’s program has pushed me to find the roots of global sustainability problems. I have found that the majority of those problems can be traced back to the way the economy is organized.

This PhD has been a long time in the making. It started with the *How on Earth* book that Donnie Maclurcan and I wrote for the Post Growth Institute, which outlines how a sustainable not-for-profit economy might work. This doctoral thesis solidifies and strengthens an understanding of the economy that Donnie and I started to gain through imagining a Not-for-Profit World.

The more formal context of this thesis is that it was funded as part of the AdaptEconII, Marie-Sklodowska-Curie Actions International Training Network of the European Union’s Horizon 2020 program. The aim of AdaptEconII was to contribute to the development of new economic thinking based on knowledge of global resource availability and other biophysical limits to growth. Systems analysis and economic transformation were the starting points of AdaptEconII, with a focus on “aspects of resource availability, links between resources and wealth, the rise of new and/or rediscovered values and realization of our interdependent world, new development paradigms, political and industrial ecology, as well as science for a sustainable society” (European Commission REA, 2015, p. 3). This thesis is one of 5 PhD projects in the International Training Network’s theme 3: investigating the integration of social dynamics with the biophysically based economy. My general task has been to examine the dynamics of a more sustainable economy and, building on my prior work with the Post Growth Institute, I chose to focus on the social and ecological implications of how businesses relate to profit.

Glossary of terms

Business: A commercial entity that generates most of its revenue by selling goods or services. (Note that the terms “firm” and “company” are used as synonyms for business in this thesis).

Business ownership: A bundle of rights – namely control rights and financial rights. Throughout the thesis, I use “business owner” to refer to those who hold financial rights in a business.

Business purpose: The reason(s) and goal(s) for which a business operates.

Business structure: The legal form of a business. I use “legal business framework” as a synonym.

Capitalist economy: A market economy in which businesses are privately-owned and operated for private financial gain. I use “for-profit economy” as a synonym.

Collective business ownership: Financial rights held by an indivisible entity that represents a group of people.

Control rights: The legal entitlement to operate or manage a business.

Economic growth: An increase in the production and consumption of goods and services, commonly measured in terms of Gross Domestic Product (GDP).

Economic paradigm: The set of formal and informal economic institutions that define a certain way of organizing the economy (e.g., the capitalist economic paradigm).

Economy: A system in which goods and services are produced, traded, sold, and bought.

Equity: A share of ownership in a business in the form of financial rights.

Exchange value: How much a commodity can be exchanged for another commodity, usually represented in terms of money.

Exploitation: A situation in which one party benefits at the expense of another party, without the informed and able consent of the latter.

Financial gain (also known as pecuniary gain, enrichment, or enurement): The possession of increasing amounts of money.

Financial rights: The legal entitlement to the profit and assets of a business.

Formal institutions: Systems of social rules that are enforceable by a legitimate third party, such as laws and contracts.

For-profit business: A form of business that has private financial rights and can be operated for the financial gain of its owners.

Governance structures: Protocols or rules that determine which stakeholders are involved in the decision-making, control, and direction of an entity.

Growth-based economy: An economy that systemically drives or requires growth in production and consumption.

Incorporation structure: A specific legal vehicle through which an organization becomes a formal entity, recognized by governments.

Inequality (economic): The difference in the distribution of income and assets among a population.

Informal institutions: Systems of social rules that are taken for granted (e.g., ideologies, logics, beliefs) or are enforced by peer pressure or a sense of social obligation (e.g., social norms, and values).

Institutional economics: The study of the institutions and institutional arrangements of economic activity.

Institutions: Systems of social rules.

Investment: An amount of money allocated to a company or an undertaking, with the expectation of deriving some benefit in the future.

Legal purpose: The stated mandate of a company (i.e., what it exists to accomplish), as set out in its incorporation documentation, charter, and legal statutes, for which it is held legally accountable.

Market: A meeting of people and/or organizations for the purpose of trade by purchase and sale.

Market concentration: How much of the total production, employment, or assets in a market is held by just a few firms.

Needs (human): Max-Neef et al. (1991) define human needs as finite and universal, consisting of: subsistence, affection, protection, participation, creation, understanding, leisure, identity, and freedom.

Non-distribution constraint: The legal preclusion of the distribution of profit to private individuals (typically in not-for-profit entities).

Not-for-profit business: A not-for-profit entity that generates at least 50% of its income through the sale of goods and services.

Not-for-profit/Nonprofit: An entity that is set up to deliver social benefit and is constrained from enriching private individuals – it can be charity-dependent or financially self-sufficient through commercial activities (see *Not-for-profit business* and *Traditional nonprofit*).

Notion of economic value: A socially-defined understanding of what is important or beneficial in economic activity (e.g., *Exchange value*, *Use value*).

Political capture (also known as regulatory capture): The illegitimate influence on, or co-optation of, policy-making to serve the interests of a minority constituency.

Post-growth economics: The study of the economy from the perspective that it should not drive or require the growth of production and consumption.

Post-growth economy: An economy that does not drive or require increasing amounts of economic activity.

Private business ownership: Financial rights held by a private individual human or many private individual humans (also known as natural persons in legal terminology).

Profit (accounting profit): A business's financial surplus left over from its revenue after operating expenses have been paid.

Profit-seeking: The active pursuit of financial surplus by a business.

Relationship-to-profit: The difference between for-profit and not-for-profit legal forms of business.

Scale: The relative size, extent, or degree of an entity or phenomenon.

Sustainability: A safe and just operating space in which everyone has access to the resources to meet their needs within the ecological limits of the planet, without impairing the ability of future generations to meet their needs.

Social benefit: Positive impact(s) on a society or community.

Social enterprise: An informal category for businesses that have a social benefit aim (whether as a voluntary or a legally-binding objective).

Strategy: The devising and employing of plans toward a goal.

System: An interrelated set of elements; a whole that is different than the sum of the parts.

Theory of value: An explanation and definition of the value and price of goods and services (e.g., exchange theory of value; labor theory of value).

Traditional nonprofit: Not-for-profit organizations that gain 50% or more of their revenue through philanthropy, grants, and donations, rather than business activities. (This term is used to distinguish these organizations from *Not-for-profit business*, though there is no legal distinction).

Use value: The tangible features of a good or service that satisfy a human need.

Voluntary business objective: A goal or aim that a business chooses to pursue, without any legal obligation or accountability.

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Introduction: What do the limits to economic growth mean for business, markets, and profit?

Decades of concerted efforts to regulate the global economy in ways that make it socially and ecologically sustainable have largely failed. Patterns of social exploitation, ecological harm, tax evasion, and political manipulation done by businesses and their owners are widespread. The result is the onward march of biodiversity loss, deforestation, soil degradation, climate change, and inequality. The global and long-term nature of these trends indicate that the problem is systemic and structural. An increasing number of scholars and practitioners identify the growth-based economy as fundamentally unsustainable and they call for societies to replace the goal of economic growth with the goal of sustainable provisioning. However, it is not yet clear what kinds of approaches to business, markets, and profit can align with such a vision. New conceptual formulations and theories are needed. This dissertation offers such a theory, for a better understanding of business, markets, and profit from a post-growth sustainability perspective.

In 1987, the Brundtland Commission put forth a definition of sustainable development as a state in which current generations' needs are met without compromising the ability of future generations to meet their needs (World Commission on Environment and Development 1987). Because humans are inextricably dependent on the functioning of the biosphere in order to meet their needs, this entails stewardship of the planet's biosphere (Rockström et al. 2009). Therefore, sustainability can be thought of as a safe and just operating space for humanity that provides the social foundations for meeting everyone's needs within the planetary boundaries (Raworth 2017).

Both the ecological safety and the social justice required for such a state of sustainability are currently lacking. Globally, our species is consuming more resources and producing more waste each year than the Earth's biosphere can regenerate and absorb (known as a state of ecological overshoot) (Wackernagel et al. 2002). These trends are increasing at an accelerating rate (Steffen et al. 2011).

I say "our species", but I should be more precise. Indeed, in a world in which the richest 5% of the global population consume more energy than the poorest half of the world (Oswald, Owen, and Steinberger 2020), it is difficult to ignore the connection between ecological overshoot and economic

inequality. It is clear that some communities are overconsuming while others are underconsuming. Oxfam's 2018 report found that 82% of all wealth created globally in 2017, went to the richest 1% while the poorest 50% of the world's population got none of it (Alejo Vázquez Pimental, Macías Aymar, and Lawson 2018). This gap can be expected to grow, as inequality is steadily rising both within and between nations (Ricardo Fuentes-Nieva and Galasso 2014; Hardoon, Ayele, and Fuentes-Nieva 2016).

Sustainability research and practice often takes for granted the neoclassical economic assumption that economic growth – measured as Gross Domestic Product - is necessary and desirable because it creates wealth, lifts people out of poverty, and generates technologies that will reduce human environmental impacts.¹ This “green growth” approach assumes that a society can grow its economy while meeting environmental targets by decoupling its Gross Domestic Product from environmental pressures. The possibility of green growth is predicated on the assumption of unlimited substitutability of human-made capital for nature (Daly 1996). This assumption asserts that the money generated by environmentally harmful activities today will be invested in technological advances and social activities that will allow for ecological regeneration in the future (Pearce 2002). Furthermore, it is thought that as economies modernize, growth comes more from services and digital information, and less from materially-intense processes like building up infrastructure (Ayres and van den Bergh 2005). In this way, services and information can substitute for materially-intense goods in generating economic growth.

The green growth approach has been formally adopted by many national governments, as well as major international organizations, which is reflected in the OECD's report *Towards Green Growth* (2011); the United Nations' Sustainable Development Goals that feature the goal of “decent work and economic growth” alongside a variety of environmental goals (UN 2015); and the European Union's goals, which currently aim at “sustainable development based on balanced economic growth and price stability, a highly competitive market economy with full employment and social progress, and environmental protection” (EU website 2020).

Yet, there are a few caveats to the green growth story. Parrique et al. (2019) point out that, in order to allow for ongoing economic growth *and* ecological sustainability, decoupling would have to be *absolute* (i.e., total environmental

¹ In these studies, growth is often framed in terms of justice: that poorer countries have the right to benefit from economic growth in the same way that rich countries have, because rich countries caused most of the harm in growing their economies which disproportionately affects poorer countries. This framing assumes that economic growth is naturally beneficial. A growth-critical perspective might reframe the environmental justice issue as: everyone should have access to resources to meet their basic needs, but this may or may not require growth of the economy (Hickel 2017a). It may be more a matter of better *distributing* wealth than of growing overall production and consumption – especially given the state of ecological and climate breakdown, as well as the growing number of billionaires.

impact must decrease rather than just having less impact per unit of production); *global* (ensuring that environmental harm is not simply being outsourced to where imported goods are produced); and *last for the long-term* (rather than temporary bumps in efficiency). Furthermore, sufficient decoupling would have to happen for *all* critical environmental pressures – not just single indicators like carbon dioxide (Parrique et al. 2019).

How close are we to achieving sufficient decoupling? Reviews of the evidence show that absolute decoupling has not happened and, furthermore, that the theoretical basis for it to happen in the future is weak (Haberl et al. 2020; Hickel and Kallis 2020; Parrique et al. 2019). Environmental damage has continued to increase at an exponential rate, in step with the growth of economic activity (Steffen et al. 2011). This indicates that there are real ecological limits to economic growth. In light of these limits, most economies need to stop growing and many economies should even shrink.

Not only is economic growth environmentally destructive, but it also does not deliver on its promises to increase social wellbeing either (Easterlin et al. 2010). In fact, there is evidence of declining wellbeing in high-income countries in terms of mental health (Dittmar et al. 2014a), physical health (Baker 2019), and life expectancy (Murphy et al. 2018). Declines in wellbeing can also be seen in China, which has been experiencing an economic boom for the past several decades (Bartolini and Sarracino 2015). The high levels of consumerism, materialism, debt, and work that fuel a growth-based economy have been shown to have negative effects on psychological and social wellbeing (Schor 2004; Dittmar et al. 2014b). Thus, there are diminishing returns to economic growth, and economic growth can even do more harm than good (Daly 1996).

Indeed, the growth of the economy has been driving inequality, rather than decreasing poverty. In the summer of 2020, the Special Rapporteur of the UN Human Rights council declared that the Sustainable Development Goals (SDGs) will not be met and that the goal of economic growth is misguided, because growth has been making the wealthiest wealthier and leaving the poor neglected and disadvantaged.² Furthermore, a diverse array of public health outcomes such as drug use, infant mortality, educational performance, violence, and community-connectedness, are all impacted by inequality, even in high-income countries (Wilkinson and Pickett 2010).

In addition to being ecologically destructive and socially dubious, the growth-based economy does not perform well even in purely economic terms. In times when economies do not grow for one reason or another, the whole economic system becomes destabilized. Investment freezes and unemployment rises. When people lose their income and decrease their

² The full quote is: “But after decades of unparalleled growth, the primary beneficiaries have been the wealthiest. Rather than an end to poverty, unbridled growth has brought extreme inequality, widespread precarity in a world of plenty, roiling discontent and climate change – which will take the greatest toll on the world’s poor” (Alston 2020, 2).

consumption of non-essential items (a natural response when facing a decrease in income), that lack of consumption can trigger a recession in the growth-dependent economy, which tends to decimate even more jobs and income, driving a downward spiral. In the context of high levels of inequality, recessions can be quite dangerous for economic and political stability. This was seen with the Great Financial Crash of 2007- 2008 and it is happening again now, due to the lock-downs and social distancing measures associated with the Covid-19 pandemic. The World Bank has warned that the global economy is likely in the beginning of the worst global recession since World War II (World Bank 2020). This widespread public health crisis is revealing once again just how growth-dependent the global economy is (Spash 2020a).

The poor social, ecological, and economic record of the growth-based economy calls for systemic change. The challenge ahead of us is to organize the economy to function well without economic growth. The production and consumption of goods and services, which accounts for the size of the economy, is largely the purview of businesses. As such, business plays a central role in reorganizing the economy.

Indeed, many growth-critical scholars have identified market competition for profit as a key driver of growth and sustainability problems (e.g., Jackson 2017; Magdoff and Foster 2011; Richters and Siemoneit 2017a). Yet, it is rarely explicitly asked in this literature whether business and markets actually need to be profit-seeking. The discussion of which aspects of business must change in order to align with post-growth provisioning is fragmented and incoherent. The existence of not-for-profit forms of business, which are set up to serve social benefit rather than private gain, suggests that there are other ways of organizing business and markets that might be more sustainable (Hinton and Maclurcan 2017). However, these types of business are generally overlooked in post-growth debates.

Hence, the main objective of the present dissertation is to examine the ways in which different types of business relate to profit and how their relation to profit might have larger impacts on social and ecological sustainability. My inquiry follows two main lines. The first is focused on how different institutional aspects of business guide and constrain economic actors' decision-making; while the second line studies how these aspects drive the larger economic dynamics that shape social and ecological outcomes. In doing so, I develop a theory of how relationship-to-profit (i.e., the legal difference between for-profit and not-for-profit forms of business) has important system-wide consequences for social and ecological sustainability.

Background

Where do new theories come from? This chapter describes the starting points on which this theoretical thesis builds. This is what Swedberg (2014, 26) calls the “prestudy” – a process of theoretical exploration that takes place before the research design, allowing for a formulation of a tentative theory that will be used to inform the research questions and methods of the main study. As Smith and Hitt (2007) note, theory development is often triggered by a tension that the theorist notices – something that is not quite right. Of course, the theorist notices this tension from their own unique vantage point. Therefore, I start this chapter with a description of the post-growth perspective that has fundamentally shaped the way I perceive the sustainability problem, as well as the way I approach this research.

I then go on to describe the motivating tension that was the springboard for the development of the relationship-to-profit theory. In short, this is the tension in the post-growth literature that arises from a mismatch between problems and solutions. Much of the post-growth literature identifies profit-seeking business as a key driver of sustainability problems. These scholars often propose cooperatives and social enterprises as the solution. However, cooperatives and social enterprises can be profit-seeking, so this solution is misguided. Meanwhile, other existing not-for-profit forms of business are overlooked. Furthermore, these authors do not explain how these different types of business would lead to more sustainable dynamics at a larger scale. This mismatch of problems and solutions is a theoretical mess, which becomes evident through systematic attention to the literature’s treatment of the institutional elements of business. It is this mess that this thesis seeks to untangle.

A post-growth perspective

The process of understanding and addressing sustainability problems inevitably involves the economy. Meeting human needs depends on the harvesting and consumption of resources from the biosphere via economic processes; and those processes produce waste that goes back to the biosphere. In shaping the way resources (and wastes) are allocated, the economy necessarily involves issues of power. As such, any sustainability problem is both economic and political in nature.

Furthermore, any approach to understanding the economy is based on a core set of social norms, logics, and beliefs. This includes assumptions about human nature, behavior, motivation, and wellbeing, as well as how humans relate to nature. Those assumptions are inevitably value-laden because they involve judgements about what is true, important, and right in social settings (Biermans 2012). From an institutional perspective (which will be discussed in more detail in the Research Approach chapter), these are the informal social rules that shape the formal institutions of the economy.

Neoclassical economics is currently the dominant school of economic thought (Proctor et al. 2018). Yet, many of the assumptions and beliefs embedded in neoclassical economics are outdated and inadequate for the purposes of sustainability (Spash 2017b). Unless sustainability scholars explicitly use a heterodox economic approach, they risk taking outdated economic assumptions and theories for granted (Pirgmaier and Steinberger 2019). This includes the assumption that economic growth is unconditionally good for society.

The post-growth perspective provides the back-drop for my research. It often disappears into the background, but setting this stage is important for the reader to understand how I see fundamental aspects of this thesis, such as sustainability, the economy, value, and human needs. The perspective outlined below provides a coherent set of norms, logics, and beliefs about the economy in relation to sustainability. It is in service of post-growth transformations that I have undertaken this work.³ As such, it represents the desired future state of the world that serves as a basis for my understanding of “sustainability”, “a safe and just future for humanity”, and “improving the state of the world” in this thesis.

The emergence of post-growth thinking since the 1960s has been in response to a growing awareness of environmental crises and widespread social and economic exploitation.⁴ As such, the post-growth research community can be characterized as a sub-set of the larger sustainability science community (Asara et al. 2015). I use “post-growth” as an umbrella term to include any literature or initiative that explicitly takes a critical approach to the growth-based economic paradigm.⁵ This includes a wide range of interdisciplinary scholarship in the fields of degrowth, steady state economy, eco-Marxism, bioeconomics, feminist economics, eco-feminism, human ecology, critical geography, political ecology, ecological economics, and social ecological economics, to name a few. Although there are

³ This perspective has also shaped the terms I use and the way I write. I have chosen to use minimal jargon in my writing in order to make it as accessible as possible for a readership of interdisciplinary academics and non-academic practitioners. That said, I never sacrifice accuracy, precision, or clarity for the sake of accessibility.

⁴ For an account of the emergence of post-growth thinking, see Parrique (2019, 171–207).

⁵ By “economic paradigm”, I mean the set of shared norms, assumptions, values, goals, laws, rules, and economic structures that define a certain way of organizing the economy - similar to how Göpel (2016) uses the term.

differences in the ways that authors in these fields approach the issue, they share a common starting point in reframing the economy as a system of provisioning that should meet everyone's needs without requiring economic growth, due to ecological limits.⁶ It is a perspective that sees the economy as a system embedded within a wider society, which is itself embedded in the Earth's biosphere.

The post-growth perspective explicitly assumes that there are hard limits to the decoupling of economic growth from environmental impact, because there are hard limits to the substitutability of human-made capital for nature (Hickel and Kallis 2020). For instance, in response to the global issue of rapidly degrading soils, a green growth advocate might claim that human capital can substitute for nutrient-rich soil by simply adding the nutrients needed to grow food in the form of fertilizers. A post-growth advocate, on the other hand, would point out that there are limits to how much fertilizer can be produced, as well as limits to the uptake of fertilizer by degraded soils. Therefore, it is best to protect soils and avoid degrading them in the first place, by reducing waste and production where possible, and by using more regenerative agriculture methods.

The limits to decoupling and economic growth mean that inequality and ecological problems are tightly connected (Hickel 2019). Whereas green growth advocates claim that "inclusive economic growth" will address poverty and inequality (Spash 2020b), post-growth alternatives must explicitly deal with issues of power, agency, and the distribution of access to essential resources (Paulson 2017). When limited resources accumulate in the hands of a few actors, then it necessarily means less for other actors - what Hickel (2019, 54) refers to as "artificial scarcity".

While it is impossible to change the biosphere to accommodate the endless expansion of economic activity, it is possible to organize our economies in ways that do not require growth (Göpel 2016). An important starting point for this is to move away from the hegemonic ideology of economic growth as natural, necessary, and good (Paech and Liebelt 2012; Washington and Twomey 2016; Kallis et al. 2018). Doing so allows for the acknowledgement that there are many diverse ways of organizing the economy and its use of nature (Gibson-Graham, Cameron, and Healy 2013). Societies around the world and throughout time have used a wide variety of types of ownership, money, markets, trade, barter, and sharing in order to meet their needs for goods and services (Graeber 2014).

Moving away from the ideology of economic growth requires a re-examination of the purpose of the economy. From a post-growth perspective, the purpose of the economy is to help people meet their needs (Göpel 2016;

⁶ It is important to note that intentional non-growth or shrinking of economies that do not need to grow, is different from a recession, which is the lack of growth in a system that requires growth (Kallis 2018, 9).

Magdoff and Foster 2011). Human needs are finite and universal, yet there are myriad diverse ways of satisfying those needs (Max-Neef, Elizalde, and Hopenhayn 1991). Economic activity is not always a good way of satisfying needs (e.g., the need for affection) (Ibid). Money may facilitate or inhibit wellbeing (Ibid). For example, when money is spent on junk food, fast fashion, and manipulative advertising, it often generates profit and GDP growth, but there are negative impacts on people's wellbeing. In contrast, many things that increase wellbeing do not require money, such as spending time with loved ones or going for a leisurely walk. This means that there is only so much that economic activity can contribute to wellbeing. Once a certain level of material security is reached, there are diminishing marginal social benefits of economic growth, beyond which it can do more harm than good (what Daly (1996) refers to as "uneconomic growth").

Therefore, from the post-growth perspective, wellbeing (or welfare) should be pursued and measured directly, rather than assuming that money and consumption are good proxies for wellbeing (D. W. O'Neill 2012). This implies redefining notions of success, prosperity, and value (Jackson 2017). From a post-growth mindset, value comes from how well something satisfies needs (i.e., use value), rather than how easily it can be exchanged for something else (i.e., exchange value) (Magdoff and Foster 2011). Economic activity is reframed as a means to meeting broader social ends (Daly 1977). Crucially, an individuals' health and happiness are dependent on how healthy their surrounding social-ecological community is and vice-versa.

This is not to say that economic activity should decrease everywhere. Context matters. As mentioned in the Introduction, many people do not currently have access to basic resources, while others have been consuming more than they need (Hickel 2017b). Therefore, in a sustainable post-growth transformation, some people will need to consume more, while others will need to consume less in order for everyone to have a reasonably comfortable existence within the limits of the biosphere (Ibid). This is why it is always important to keep inequality in mind in post-growth research and practice. Both social and ecological justice are at the heart of the post-growth perspective.

Proposals for interventions and policies are based on principles of democratic decision-making, material sufficiency, sharing and reuse of resources, and local production and consumption; but also on the diagnosis of specific pathologies. Researchers have an important role to play in terms of formulating design principles for systemic change, translating them to specific contexts, warning of end-of-pipe "solutions", and creating transparency along the way (Pirgmaier and Steinberger 2019, 12).

Towards this end, the development of new theories for analyzing and understanding the economy is of vital importance. Institutional forms, in particular, play a key role in formulating political economy possibilities for the post-growth era (Koch and Buch-Hansen 2020). Therefore, theories are

needed that offer a better understanding of how different economic institutions enable and constrain actors' behavior in more or less sustainable ways.

Motivating tension

Post-growth researchers have identified many drivers of the global sustainability crisis, as well as many interventions. Richters and Siemoneit (2017a) conducted a review of the relevant literature in order to categorize all of the factors that have been identified as drivers and imperatives of economic growth (from both pro-growth and post-growth perspectives). They grouped the factors into the following five categories: 1) Money, interest and credit; 2) Technical progress, innovations, and resource consumption; 3) Politics, states and their institutions; 4) Personal reasons (striving for more, social pressure, accumulation and inequality); and 5) Profits, competition and capital accumulation. These, then, can be seen as the key challenges that must be addressed in post-growth economic thought.

Much attention has been paid to the first category of money, interest, and credit (e.g., Farley et al. 2013; Hornborg 2017; Richters and Siemoneit 2017b). There is a lively ongoing discussion about how to change technology and innovation (especially in the degrowth literature), as evidenced by the special volume of the *Journal of Cleaner Production* on “Technology and Degrowth” in 2015. Likewise, much energy has been spent on developing alternatives at the level of politics, states, and their institutions (e.g., D. W. O'Neill 2012; Verma 2017; Ferguson 2018), as well as understanding the transformations that must happen at the personal level (e.g., Kasser and Kanner 2004; Schor 2010; Alexander 2015).⁷

However, when it comes to the fifth category of profits, competition, and capital accumulation (highlighted in *Figure 1*⁸), this area of research is relatively underdeveloped (Pirgmaier and Steinberger 2019). As Pirgmaier points out, the post-growth economy is sometimes presented as a “pathway to sustained, healthy profits” while others claim that growth is a structural imperative of capitalism and is thus at odds with profitability (Pirgmaier 2021, 8). The gap between these two stances arises from the lack of clarity around how profit-seeking is linked to economic growth, as will be explored in more depth in the literature review.

⁷ Of course, there are also efforts to combine these different solutions in different ways, such as Kallis (2018). Parrique (2019) also explores different combinations and timings of policy-interventions for transitioning France to a degrowth pathway.

⁸ I created this diagram based on the growth imperatives described in Richters and Siemoneit (2017a). The yellow oval encompasses the aspects directly related to the category of profits, competition, and capital accumulation. The arrows in this diagram simply show direct connections between the different themes of post-growth research. It is not a causal loop diagram.

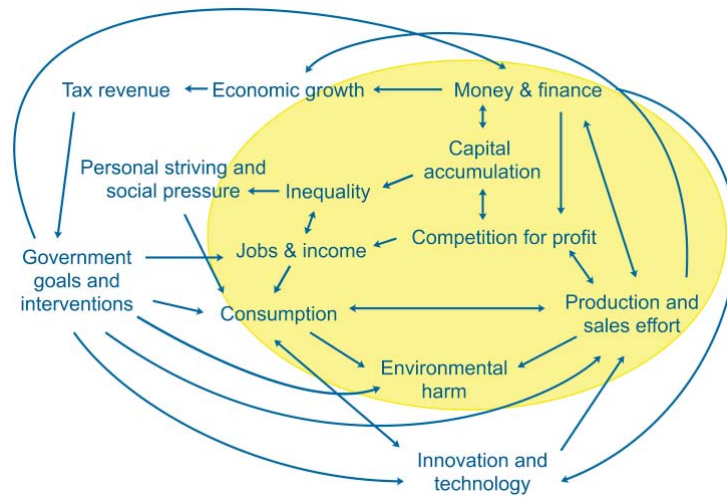


Figure 1: My focus in the larger context of post-growth research

Before proceeding, it is important to be clear about what I mean by the words “profit”, “business”, and “market”. The field of economics refers to several different types of profit. Throughout this thesis, I will use the accounting definition of profit, which refers to the financial surplus that remains after business expenses have been paid from the total revenue generated.⁹ I use this broad definition of profit because both reinvested profit and residual profit (that which is leftover after profits are reinvested) are important for the purposes of this analysis. The opportunity costs included in the even broader definition of “economic profit” are not an important consideration for the purposes of this thesis, as the focus is on slowing down consumption, production, and inequality, rather than getting as much of a return on investment as possible.

I define business broadly as *an entity that generates most of its revenue through commercial activities* (i.e., the sale of goods and services) (Oxford Dictionary 2020a). I use “firm”, “company”, and “enterprise” as synonyms for business throughout the thesis. I define “market” as a complex of social, cultural, and legal institutions that enable people and businesses to trade by purchase and sale - inspired by Satz’s definition (2010, 16).

It is perhaps worth noting that businesses and markets do not necessarily have to be part of post-growth economies. However, because they are currently the main channel through which production happens in most economies, post-growth models and visions of the future must address how businesses and markets should be transformed or replaced by some other means of production in order to allow for sustainable provisioning (Nesterova

⁹ It is worth clarifying for the interdisciplinary readership of this thesis that employees’s salaries are not paid from a company’s profits. Wages and salaries are considered business expenses and are, thus, accounted for before profit is calculated.

2020). The issue of how mainstream business and markets could be transformed or replaced for post-growth economies is currently ambiguous in the bulk of post-growth literature, as will be discussed below and in the literature review.

A driver of the problem is identified: Profit-seeking

Various authors in the post-growth literature have explained how business drives larger sustainability crises.¹⁰ When companies seek profit, they usually need to expand production and prompt more consumption through advertising and other means (Schnaiberg, Pellow, and Weinberg 2002). In this way, profit-seeking drives economic growth and environmental damage (Jackson 2017; Kallis 2018). There is also a focus on seeking cheaper raw materials and labor and a tendency to produce more and cheaper products, rather than durable and fewer products (Moore 2014; Pirgmaier 2021). Thus, the owners of the means of production in capitalist economies receive profits at the expense of workers and ecosystems (Magdoff and Foster 2011). Capital accumulates and this further drives growth (Foster 2014). These authors are quick to point out that "(t)he moving and motivating force of capitalism is the never-ending quest for profits and accumulation, and [...] because of competition, companies are compelled continuously to increase sales and to try to gain market share" (Magdoff and Foster 2011, 41). Due to these dynamics, inequality and environmental crises have the same roots in an economic system that is propelled by the profit motive and that delivers economic gain to some at the expense of others - including non-human nature (Moore 2014).

This partially explains how business drives larger sustainability dynamics. But it does not clarify what it is about businesses that compels them to seek profit; whether all businesses are naturally profit-seeking or if they are able to change.

The solution does not solve the problem: Cooperatives, social enterprises, and family-owned businesses

Many authors have highlighted that business ownership plays a key role because the ownership of firms will either concentrate wealth and drive growth, or distribute the wealth and allow for a non-growing economy (Lange 2018). As such, cooperatives are often seen as the main way to transform the market and business, because they involve democratic ownership (Lange 2018).

¹⁰ Although this is addressed by several different strands of the post-growth literature, the eco-Marxian scholars offer the most in-depth analyses (e.g., Foster 2014; Magdoff and Foster 2011; Moore 2014). This is a point that Pirgmaier's (2018; 2019) work highlights.

However, the cooperative solution does not address the issue of profit-driven producer cooperatives, such as large cooperatives of dairy producers (e.g., Land O'Lakes in the US and Arla in Europe). Likewise, it does not take into account that worker cooperatives can be highly profit-motivated (e.g., Mondragon in Spain). Indeed, many different types of cooperatives can be profit-driven (Chaddad and Cook 2004). This fact is largely overlooked in the post-growth literature. Worker ownership is often referred to as non-capitalist (e.g., Gibson-Graham, Cameron, and Healy 2013), but it can be argued that an economy predominately composed of worker cooperatives is still capitalist (albeit with a greater number of capitalists). The Oxford Dictionary (2020b), for instance, defines capitalism as “An economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state”. An economy of worker cooperatives is still a market economy of privately-owned businesses that can operate for the profit of the private owners. Sticking only to the cooperative model might democratize the profit motive, but it does not necessarily take us closer to a sufficiency-based, post-growth economy. It largely resolves the inequality issue – but not the issues of consumerism, profit-seeking, and economic growth.

Social enterprises are also frequently mentioned as a solution (e.g., Johannisova and Fraňková 2017). However, “social enterprise” is a rather informal category open to interpretation that can include many different kinds of business, including profit-driven businesses (Reiser and Dean 2017). In other words, the term “social enterprise” provides limited usefulness for post-growth scholars and practitioners (Houtbeekers 2018).

Family-owned companies are sometimes floated as a solution (e.g., Trainer and Alexander 2019). Yet, a family-owned business or a partnership that starts out small and accountable to its local community might, over time, grow into a multinational company with little accountability and a large ecological footprint. Some of the largest companies in the world that generate billions of dollars in annual revenue are wholly or mostly family-owned, including: Mars, Inc. food company, Koch Industries, Cargill, Inc., Deloitte, and Pricewaterhouse Coopers (Chloe Sorvino 2018). Such large companies have significant environmental impacts, which increase as their sales expand. Furthermore, in delivering profit to their high net-worth family-owners, these businesses contribute to inequality.

In other words, there is a mismatch between the problem identified and the solutions proposed. Profit-driven markets and privately-owned business are identified as problematic; and the solutions of cooperatives, social enterprises, and family-owned firms do not address the profit-driven nature or private ownership of firms. This indicates an important weakness in the analysis. Furthermore, it is unclear in these proposals how cooperatives and social enterprises would scale up to transform or replace profit-driven markets in post-growth compatible ways (Pirgmaier 2021). I surmise that post-growth prescriptions for business and markets are scattered because the analysis is

missing a deeper understanding of the specific institutional aspects of business and how they drive and interact with larger trends.

A potential solution is overlooked: Not-for-profit businesses and markets

Perhaps the post-growth literature has not found suitable solutions to the problem of profit-seeking because, when it comes to business and markets, it takes many of its cues from neoclassical economics. Neoclassical approaches take for granted that businesses should seek profit and that the profit motive is the engine of the economy because it promotes investment, innovation, efficiency, wealth creation, and employment. These assumptions have their roots in intellectual work done by the early political economists of the 18th and 19th centuries, like Adam Smith and his treatise on *The Wealth of Nations* (2009). These same assumptions can be seen in today's mainstream economics textbooks (e.g., Jones 2018; Krugman and Wells 2018). As Borzaga and Tortia (2007, 24) put it:

“Economic theory has devoted little attention to forms of enterprises, other than for-profit or investor-owned, and even less attention to the forms of enterprises not interested in making or maximising profits. The view of economic systems which result from the traditional approach is narrow and simplistic.”

Yet, not all businesses are profit-seeking or privately-owned. Here, I turn to a topic in the field of nonprofit studies, which has been largely overlooked by the post-growth research community: not-for-profit business.¹¹ It is not often acknowledged in discussions about business and the economy that not-for-profit organizations can operate as businesses and, thus, businesses do not have to be for-profit. This insight breaks with conventional wisdom and opens up the space for a different perspective on the economy that might be quite useful for post-growth purposes.

In order to appreciate the implications of this new perspective, one must be equipped with an understanding of the distinction between for-profit and not-for-profit legal types. (As the thesis frequently contrasts these two types of business, I will often use *FP* and *NFP* as abbreviations for the sake of clarity and conciseness). In essence, this distinction is a legal difference in rights and responsibilities. For-profit firms are allowed to have the purpose of private financial gain while a social benefit purpose is baked into the not-for-profit legal structure (Hansmann 1980). As such, the private distribution of profit and a financial gain purpose are precluded in NFP forms in order to keep these

¹¹ There is a substantial amount of research on not-for-profit business (also known as enterprising nonprofits, commercial nonprofits, and not-for-profit enterprises) (e.g., Borzaga and Tortia 2007; Dees 1998; Patten 2017; Roeger, Blackwood, and Pettijohn 2012; Salamon et al. 2013; Salamon and Anheier 1997).

organizations focused on social benefit - this is known as the *non-distribution constraint* (Estelle James and Rose-Ackerman 1986). Important to note here, is that NFPs can make a profit, but they are precluded from privately distributing it. In this way, the for-profit versus not-for-profit aspect of business structures has implications for whether businesses are profit-driven or not. In Paper 3, I use the term “relationship-to-profit” to refer to the legal distinction between for-profit and not-for-profit forms of business, as it is more precise than other common terms, such as “legal form”, “legal type”, or “organizational type”.¹² I will use *relationship-to-profit* to refer to this legal distinction hereafter.

Cooperatives and social enterprises can be regulated either as for-profit or not-for-profit, depending on their incorporation structure (Borzaga and Tortia 2007, 29). For instance, *worker cooperatives* are most often for-profit because they allow for private distribution of profit (John Pencavel and Craig 1994), while in Hinton and Maclurcan (2016), we argue that *consumer cooperatives* fit the legal description of not-for-profit (and indeed credit unions are regulated as NFPs in the US).¹³ Along similar lines, many social enterprise models are for-profit, like the Benefit Corporation in the United States (Michele Berger 2015); while others are not-for-profit, like the Community Benefit Society in the United Kingdom (NI Business Info n.d.).

Not-for-profit businesses are different from traditional nonprofit organizations in that they are mostly or totally financially self-sufficient through the sale of goods and services, rather than depending on charitable contributions (Hinton and Maclurcan 2017).^{14,15} Scholars have noted that the not-for-profit sector is increasingly gaining income from business activities in many parts of the world (e.g., Roeger, Blackwood, and Pettijohn 2012; Salamon et al. 2013; Salamon and Anheier 1997). Hinton and Maclurcan (2016) documented a number of not-for-profit businesses operating at different scales, in a wide diversity of economic sectors and geographical contexts. To make this business type more concrete for the reader, some diverse examples of not-for-profit businesses include: HomeGround Real Estate in Sydney, Australia (HomeGround Real Estate 2020); the global

¹² I cover the added value of this term in more detail in the Synthesis chapter.

¹³ The only way members can capture the value of the cooperative’s activities is by buying its goods and services (Ruiz-Mier and van Ginneken 2006). Consumer cooperatives and credit unions meet the legal definition of NFP, because the profit distributed to consumers will never be more than a fraction of what the consumers have spent into the company via purchases (Hinton and Maclurcan 2016). The “dividends” from consumer cooperatives are best thought of as refunds, rather than actual dividends for private financial gain.

¹⁴ There is no legal difference between “not-for-profit” and “nonprofit”. But I prefer the term “not-for-profit” when referring to business, as it more clearly articulates the potential to be a business and generate profit, but not as an end in itself. It also mirrors the term “for-profit”, allowing for a nice level of conceptual clarity.

¹⁵ In Hinton and Maclurcan (2016; 2017), an NFP is considered to be a business if it generates at least 50% of its revenue from the sale of goods and services.

software developer, Mozilla Corporation (Mozilla 2020); the YHA youth hostels in the United Kingdom (YHA 2020); the ASU Law Group in Arizona (ASU Law group 2020); and Folksam insurance in Sweden (Folksam 2020).¹⁶

Due to the fact that businesses can be not-for-profit, it is also possible to imagine markets that are predominately composed of not-for-profit businesses. Without a financial gain purpose in firms or the private distribution of profit, a predominately not-for-profit market economy would have quite different dynamics than a for-profit market economy (Lux 2003). In fact, because for-profit business is a defining feature of the capitalist economy, a not-for-profit market economy represents an alternative to both the capitalist market economy and the state-planned economy (Hinton and Maclurcan 2017).¹⁷ For example, in Hinton and Maclurcan (2016), we developed the Not-for-Profit World conceptual model in order to explore this possibility.

In addition to describing a different kind of economy, the counterfactual of a not-for-profit market economy provides an alternative lens through which to understand the current economic paradigm and its sustainability crises. This counterfactual highlights the fact that most economies (including the global economy) are currently organized in a predominately for-profit way, but that they do not have to be.

Our work in Hinton and Maclurcan (2016) takes an important step in the direction of explaining how and why different types of business and markets can be expected to drive different kinds of dynamics in relation to sustainability. However, the explanation is lacking a clear identification of the specific institutional elements and arrangements in the for-profit economy that are problematic for sustainability, as well as an account of the causal mechanisms that explain how and why they are problematic and, thus, how not-for-profit markets would be different. A deeper exploration and better analytical tools are needed.

Summary

The post-growth perspective and motivating tension presented above have informed my research questions, shaped my literature review, and guided my theory-building process. In summary, the post-growth perspective adheres to the idea that the purpose of the economy is to help people meet their needs

¹⁶ Many more examples of not-for-profit businesses can be found in Hinton and Maclurcan (2016), as well as at the Solidarity Economy Mapping Project and the related mapping initiatives on their websites: <https://solidarityeconomy.us>; <http://www.solidarityeconomy.eu/susy-map/>; and <http://www.riess.org/working-areas/mapping-panorama/?lang=en>

¹⁷ I will use the terms *capitalist economy* and the *for-profit economy* interchangeably in the rest of this thesis, as a capitalist economy is a market economy in which businesses are operated in order to deliver profit to private owners (Jones 2018).

within the limits of the planet's biosphere. Due to the lack of evidence of sufficient decoupling of economic growth from environmental impacts, economic institutions must be organized in a way that does not drive or require constant expansion of production and consumption. The main aim of post-growth research is to identify ways of organizing society and the economy that can provide for everyone's needs without driving or requiring growth (e.g., Kallis 2018; Victor 2019). In this way, economic growth, inequality, and ecological sustainability are all tightly connected.

Much of the post-growth literature highlights profit-seeking as problematic, but fails to offer adequate solutions for how current profit-seeking businesses and markets can be transformed or replaced to align with social and ecological sustainability. The literature on not-for-profit business reveals that not all firms are profit-seeking, but these types of business are largely overlooked in the post-growth literature. This thesis is an effort to bridge these bodies of literature and bring these insights together in ways that can more effectively inform post-growth theory and practice.

Research Aim and Questions

Aim

In this dissertation, I aim to clarify the role of business, markets, and profit in sustainable economies, in terms of their institutional elements and systemic consequences, from a post-growth perspective. My specific focus has been on the system-wide sustainability implications of how business relates to profit, particularly in terms of the formal and informal institutional arrangements of business and markets.

Research Questions

The overarching research question guiding this investigation is:

How does the relationship between business and profit affect social and ecological sustainability?

In order to answer this larger question, the following more specific questions have been developed:

Research question 1: What are the necessary and sufficient conditions for socially and ecologically sustainable profit?

Research question 2: How do businesses relate to profit?

Research question 3: How does relationship-to-profit affect social and ecological sustainability?

Research question 4: How can relationship-to-profit be understood in the context of other approaches to sustainable business?

Papers

Paper 1: Sources and Limits of Profit

Hinton, J.B. “Limits to Profit? A conceptual framework for understanding profit and sustainability.” Manuscript to be submitted to *Ecological Economics*.

Paper 2: Means and Ends

Hinton, J.B. and Cornell, S.E. “Profit as a Means or an End? An analysis of diverse approaches to sustainable business.” Under review for *Journal of Cleaner Production*.

Paper 3: Fit for Purpose

Hinton, J.B. 2020. “Fit for Purpose? Clarifying the critical role of profit for sustainability.” *Journal of Political Ecology*, 27 (1): 236- 262.

Paper 4: Dimensions of Business

Hinton, J.B. “The Five Dimensions of Post-Growth Business: Putting the Pieces Together.” Under second round of review for *Futures*.

Research Approach: Theoretical synthesis

What guides a researcher in constructing knowledge about the world? It largely depends on how they define reality and what can be known about it. In interdisciplinary research communities, it is important to clearly state one's ontological and epistemological foundations in order to avoid misunderstandings and misinterpretations of one's work. This is particularly necessary when developing social theory for a field as interdisciplinary as sustainability science.

In this chapter, I offer a description of the critical realist underpinnings of this thesis. An overview is then offered of how I went about using a systems-informed institutional economics approach to build theory and how I employed different types of causal inference to construct my explanations. I describe the iterative process of developing the relationship-to-profit theory presented in this thesis. The chapter ends with a reflection on some of the limitations and challenges of this approach.

A critical realist ontology and epistemology

This work is based on a critical realist ontology, which acknowledges that “there exists both an external world independently of human consciousness, and at the same time a dimension which includes our socially determined knowledge about reality” (Danermark et al. 2002, 5–6). The latter consists of social structures such as norms, goals, aspirations, rules, and laws. Intangible social structures, like the goal of growing a nation's GDP, have real impacts on the non-human world and are, thus, real themselves.

Critical realism acknowledges that patterns of human behavior co-evolve with the social (and ecological) structures within which people live (Danermark et al. 2002). Social structures enable and constrain how individuals or organizations behave; and in turn, agents either reinforce or transform the social structures within which they act (Ibid, 181). As people and organizations pursue goals, their actions have an impact on natural resources, ecosystems, and physical infrastructure.

This co-evolution of structure and agency over time implies the need to take a historical perspective, which acknowledges that the current patterns in social systems have come about as a result of larger historical processes. For instance, the capitalist way of organizing economic institutions is a relatively

recent phenomenon in the larger history of human experience and should not be taken for granted as right or natural (Heilbroner 1999).

The incredible number of factors involved in sustainability issues, as well as the interactions between the factors over time, also implies a complexity-oriented, rather than a deterministic worldview. Given the complexity of the world, the role of science is to enable people to better understand, plan, prepare, design, create, respond, and co-evolve with the complex world, rather than to control it.

Researchers use concepts and heuristics to break down the complexity of reality in ways that are useful for answering their research questions. The same is true for the way sustainability researchers conceptualize “the social” and “the ecological”. Critical realism allows me to acknowledge that human societies are embedded in ecosystems, but also that human societies have unique characteristics that ecosystems do not. This implies that sometimes it is useful to conceptualize a system as social-ecological, in order to maintain conceptual clarity around the fact that the social and ecological aspects of reality are deeply intertwined (Berkes and Folke 2002), while at other times it is useful to distinguish between the social and ecological aspects of a system. While I believe that a sustainable economy treats the world as a deeply intertwined social-ecological system, I often conceptualize the social and ecological aspects of reality separately in this dissertation. This allows me to focus on the ways in which the economy, as a social system, is misaligned with ecological limits. It is important to emphasize that this conceptualization does not mean that I see the social and ecological as separate in reality.

This critical realist ontological stance has important epistemological implications because this stance means that knowledge is socially and individually constructed. What we know about the world depends on how we conceive of it, so changes in our conceptualizations can yield new insights – for instance, broadening the concept of business to include not-for-profit business allows us to see for-profit business in a new light (Vatn 2017, 36). Furthermore, because the knower shapes the knowing and vice-versa, any research is an intervention (Midgley 2000).

My research is explicitly action-oriented in that I hope the knowledge, understanding, and insights that I have gained in this research journey can help make sustainability-oriented change happen more quickly and more effectively. I started this work by explicitly calling into question something that is often taken for granted: the compatibility of for-profit business with sustainability. As such, I am also calling into question the legitimacy of this organizational form. I am conscious that, just by having conducted, discussed, and published this research, I am intervening in the system that I have been studying – hopefully in ways that transform existing economic structures to be more socially and ecologically just. Indeed, my wish is that this research widens and informs the discussion about which kinds of approaches to business, markets, and profit are compatible, or not, with sustainability. In doing so, I recognize my positionality and that the choices and value

judgements that I have made in developing these ideas have been framed partly by my individual and social background.

A systems-informed institutionalist approach to theorizing

Would a not-for-profit market economy be more sustainable than a for-profit market economy? There is no data about the sustainability of not-for-profit market economies. Indeed, the very concept of a not-for-profit market economy is relatively new. Yet, as I described in the Background, there is good reason to doubt the sustainability of the for-profit economy. The lack of data and theory does not mean that new and critical questions about economic institutions are unimportant for finding pathways to a more sustainable future. Rather, it points to the need for new theories.

The post-growth perspective inherently broaches novel concerns that are pushing at the edges of the research frontier. Thus, scholars must take intellectual risks to develop better, more accurate theories on which to base future efforts in understanding and shaping the world. This impetus is where new schools of thought come from, such as systems thinking, sustainability science, and ecological economics. These have all presented major challenges to conventional approaches, but have been worth the risks involved in building up new theory, as they allow us to see and examine the world from a more accurate and relevant perspective, and to more effectively solve problems from that perspective.

Meredith (1993) describes scientific work as an iterative cycle, from description, to building conceptual models, to explanation, to testing, and then back to description. A better explanation is achieved each time around the cycle, going deeper in the theory-building journey. The aim of conceptual work is to build theory, defined as “a coherent group of interrelated concepts and propositions used as principles of explanation and understanding” (Ibid, 7). Using Dubin’s (1969) five requirements for a theory, Meredith (1993, 7) emphasizes the importance of explanatory power in distinguishing a theory from a conceptual model or a framework, and clarifies that “a theory:

1. Allows prediction or increased understanding;
2. Is interesting (i.e. non-trivial);
3. Includes attributes or variables and their interactions;
4. Does *not* include ‘composite’ variables (i.e. variables which include a number of other variables, elements, or attributes which are undefined); and
5. Includes boundary criteria.” (emphasis in the original text)

There is no clear-cut methodology for developing new theory. Indeed, theory is decisive for research to the extent that theory-building should not be subordinate to methodological rules for how to conduct research (Danermark

et al. 2002, 1). Theory development is a creative act, but this does not imply that the theorist draws theory from nowhere (K. G. Smith and Hitt 2007). Rather the theory development process “uncovers, selects, re-shuffles, combines, (and) synthesizes already existing facts, ideas, faculties, [and] skills” (Koestler (1964, 120) quoted in Smith and Hitt (2007, 577)).

This dissertation is a theoretical synthesis that involved reconceptualizing and synthesizing existing knowledge and explanations using institutional analysis, systems thinking, and social theory-building tools. I had no pre-defined method for building this theory, and so in the interest of transparency and validity, I describe my approach below.

Although PhD students in sustainability science are often encouraged to go to the field to collect primary data as part of a case study research design, this thesis builds on research I did before starting the PhD, in Hinton and Maclurcan (2016; 2017). Therefore, this PhD can be seen as a second cycle in Meredith’s (1993) iterative spiral of theory-building. In the *How on Earth* book (Hinton and Maclurcan 2016), we undertook a full cycle in describing, modeling, explaining, checking in with available empirical data, and even collecting some primary data. For the reasons mentioned in the Background chapter, more theorizing is needed at this stage.

Critical institutional economics

Institutional economics is well-suited for constructing new basic conceptual models to replace the old ones that are no longer fit for the real world (William M. Dugger 1979). I have used a critical institutional economics approach to untangle the theoretical mess described in the Background chapter, and to construct new ways of understanding business, profit, and markets in relation to sustainability.

Institutions are systems of embedded social rules (Hodgson 2018). Institutional economics then, is the study of the institutions that are tied to the production and distribution of wealth, with a focus on the institutional frameworks of economic activity (Ibid, 46). If the economy needs to be organized in a different way to align with sustainability, as post-growth analyses claim, then understanding economic institutions is a good place to start.

Critical institutional economics, in particular, can provide a solid basis for analyses that seek to identify institutions that are driving sustainability problems, as well as to understand how the economy should change in order to address those problems (Vatn 2017). From this critical perspective, environmental problems are not simply accidental side-effects of production and consumption, but rather systemic effects of existing dominant institutions (Ibid, 36). As such, this approach explicitly brings into question the naturalness and appropriateness of dominant economic institutions, allowing for the re-conceptualization of mainstream and marginalized ways of organizing economic activity. Such reframing and re-conceptualizing can

yield new insights about the relationship of the economy to sustainability problems, and how those problems can be resolved via alternative institutional arrangements (Ibid).

Formal and informal institutions shape each other

Institutionalists distinguish between formal and informal institutions. The former consists of explicit, enforceable rules (such as laws and contracts), while the latter consists of softer, implicit rules (such as social norms, values, belief systems, and logics) (Stephan, Uhlaner, and Stride 2015). The relationship between formal and informal institutions is important. Different mixes of formal and informal institutions will be more or less appropriate for achieving specific social and economic goals (North 1990). It follows that regulative institutions, such as laws and property rights, have a corresponding purpose, logic, and set of social norms and beliefs (W. Richard Scott 2014, 62). The capitalist ideology and the goal of economic growth, for instance, can be considered informal institutions; and free trade agreements are corresponding formal institutions that serve the goal of growth and the ideology of capitalism. In order to understand how formal institutions function, it is important to also take into consideration the informal institutions upon which the formal rules are based.

Institutions and actors shape each other

The institutional perspective emphasizes that human action cannot be understood outside of its institutional context. As the rules of the game, institutional structures enable and constrain actors (North 1990). While institutions guide and constrain action; actors create, maintain, and transform institutions (Ibid). Actors change institutions in order to more effectively pursue their aims and the changed institutions then impact those actors. Incremental changes in institutions result from the feedback processes between actors and institutions over time, leading to a constant state of institutional evolution (Ibid). This can be seen, for instance, in how successful corporate lobbying results in a regulatory context that enables the corporations to more effectively pursue profit, which may then allow them to lobby even more.

To add to this complexity, the more that actors go along with existing institutions, the more legitimacy those institutions have (W. Richard Scott 2014). Legitimacy is a “general sense or assumption that the actions of an entity are desirable, proper, or appropriate within an institutional framework of norms, values, beliefs, and definitions” (Ibid, 71). Thus, in order to be perceived as legitimate, an organization’s goals, strategies, and structures must be congruent with the values of the society within which it operates (North 1990). For instance, a profit-seeking business has legitimacy in a capitalist society, which holds the beliefs that money is a sign of success and that the profit motive spurs innovation. As societal values and goals shift in

response to changing conditions (like climate change), if actors do not adjust their goals and actions accordingly, they risk losing their legitimacy.

It is worth noting that, although actors' behavior can accommodate, resist, or change both the formal and informal institutions, various actors differ in their power and ability to (re)produce, resist, or change their institutional context (Philip A. Klein 1993). Therefore, power is always an important part of understanding the interactions between actors and institutions. In particular, institutional economists are concerned with how the concentration of power can lead to an unjust allocation of resources (Ibid), which is also an important post-growth concern.

Ends and means are socially defined

All human action involves some calculation and selection of means to achieve socially defined ends (W. Richard Scott 2014, 82). For instance, the goal of profitability for businesses is a socially defined informal institution and businesses in a for-profit economy calculate and choose different means to achieve that end. In addition to specifying valued ends, social contexts delineate appropriate means; as Scott (2014, 83) says "... action acquires its very reasonableness from taking into account these social rules and guidelines for behavior". This implies that in order to understand human action, it is important to understand means-ends connections, including the types of ends pursued and the perceived appropriateness of means (Ibid). (This is what Paper 2 deals with: profit as a means or an end).

Furthermore, what is "rational" or "right" is socially constructed, and is encouraged and enforced via institutions (Vatn 2009). This means that whether actors are acting rationally or not depends on how their social context defines "rationality". Neoclassical economics defines rational behavior in terms of pursuing one's own narrow (financial) self-interest, but that is not the only way of defining rationality (Göpel 2016). The post-growth perspective outlined above redefines rational behavior as that which allows for social and ecological justice rather than in terms of financial self-interest. Thus, the informal institutions of the post-growth perspective have very different corresponding norms and incentives than a social context with financially-based definitions of rationality. Likewise, this underlying logic can be expected to lead to very different ways of organizing business, markets, and profit. In other words, different institutional arrangements will lead to different outcomes (W. Richard Scott 2014).

Therefore, it is not a matter of getting institutions "right", but rather finding and creating institutions that generate the desired result – recognizing that the "desired result" is also based on informal institutions itself and, thus, subject to change (Vatn 2017). For the purposes of this investigation, the desired result is an economy that meets everyone's needs without driving or requiring the expansion of production and consumption.

With these insights in mind, it is advisable for models or visions of sustainable economies to align these various aspects of institutions with each

other and with post-growth aims as much as possible. When the informal and formal institutions of a society are aligned, their influence can be very powerful in guiding and constraining behavior (W. Richard Scott 2014). When they are not well-aligned or not widely supported by the members of society, there is confusion and conflict (Ibid, 71). Post-growth theorists and organizers should seek to avoid such misalignment in their models and strategies (recall the motivating tension described in the Background). This is why the focus of my analysis is not only on economic institutions themselves, but also on the *alignment* of formal regulative institutions with the post-growth informal institutions outlined in the previous chapter.¹⁸

Figure 2 depicts a simple model of how formal and informal institutions shape each other; how they guide and constrain actors' behavior; and how actors shape institutions, in turn.

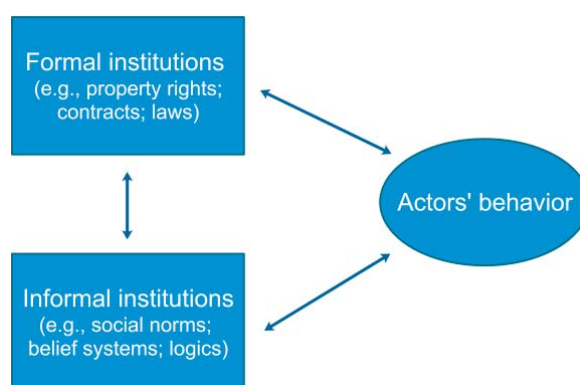


Figure 2: How institutions interact with actors' behavior

Rights and responsibilities in the economy

All markets depend on a complex of social, cultural, and legal institutions (Satz 2010, 16). This complex includes regulative institutions that assign rights and responsibilities. These types of institutions define what kinds of actions various economic actors are allowed, encouraged, and required to undertake, as well as which actions they are prohibited from undertaking (Vatn 2017).

¹⁸ Scott (2014, 60) further distinguishes between normative institutions, as the morally-governed rules that define right and wrong and involve social obligation, and cultural-cognitive institutions, which are the deeper constitutive rules that are taken for granted, such as widely-held systems of belief and logic. I group the normative and cultural-cognitive into "informal" institutions for the sake of simplicity and convenience in this thesis, while recognizing that there are important distinctions between them and that both are fundamental to post-growth transformations. Indeed, it is useful to keep in mind that some informal institutions (i.e., normative) are less deeply ingrained and are thus more changeable than others (i.e., cultural-cognitive). The post-growth perspective represents a shift in both of these pillars.

As such, the rights and responsibilities of *business* have important consequences for the dynamics of markets and the economy as a whole (Libecap 1986), as well as for the distribution of resources and the protection of the biosphere (Vatn 2017). Therefore, the dominance of different legal business frameworks in an economy can be expected to lead to different dynamics at the level of the aggregate economy, having important consequences for social and ecological sustainability. Due to the fact that markets can operate on diverse institutional arrangements, the focus should be on specific *types* of markets and not on “the market system” itself (Satz 2010).

Institutionalist methodology

Institutionalist methodology starts with the assumption that, because actors respond to their institutional contexts, an understanding of institutional contexts offers important insights into ranges of expected or acceptable behavior (William M. Dugger 1979). Yet, it is worth noting that institutionalists seek to build models that describe and explain, rather than predict, because they acknowledge that actors’ behavior is not fully determined by institutional structures (Ibid).

An important method of institutionalist theorizing is the identification of types of institutions and institutional arrangements (Andreas Dimmelmeier and Heussner 2018). Institutionalists typically start their analysis “by identifying one or a small group of institutions which they consider particularly relevant for the event they want to explain, and from there they build their explanatory edifice” (Ibid, 1). This means that the evidence on which this theorizing is based comes in the form of information about institutions, what Dugger (1979) calls *structural evidence*. Structural evidence is that which gives knowledge about the structure of institutions. In the case of regulative institutions, such as legal business structures, this information is available in legal texts issued by governments and the research that deals directly with these texts. For instance, the International Center for Not-for-profit Law was an important source of information for this thesis when it came to the basic institutional elements that distinguish for-profit organizations from not-for-profits. Understanding the institutional structures within which actors are operating allows one to make general qualitative predictions based on how institutions guide and constrain their behavior, rather than specific quantitative ones (William M. Dugger 1979, 905).

An institutional economist uses structural evidence to build a hypothesized model or explanation that fits the set of human relations the theorist is trying to explain (William M. Dugger 1979, 904). The explanatory power of an institutional economic theory can be determined via “contextual validation”, which involves cross-checking different kinds of sources of evidence (e.g., case studies and historical data) to see if the institutional structures and outcomes of the theorist’s model coincide with the structures and outcomes in the real world (William M. Dugger 1979, 906).

Institutional approaches can be especially fruitful for analyses that cross typical scales of social organization, such as the world system, a society, organizational fields, organizations, and individuals (W. Richard Scott 2014, 109). This perspective encourages scholars to think about the ways in which institutions and behavior at the level of individuals and organizations influence dynamics at the scale of markets, society, or the world system; as well as how larger-scale institutions and dynamics influence individuals and organizations in turn (Ibid). It is thus particularly useful for untangling how different business types might drive different aggregate dynamics.

Systems analysis

There is a high level of complexity in social systems like the economy. In this thesis, I use systems analysis tools to intellectually organize the complexity of the economy into manageable bits in a way that also hones in on the system's core dynamics (Checkland 2000).

The systems perspective involves looking at the world as a network of interconnected open systems. A system is defined as “a set of things—people, cells, molecules, or whatever—interconnected in such a way that they produce their own pattern of behavior over time” (Meadows 2008, 2). The aim of systems analysis is to “uncover the endogenous sources of system behavior” (Richardson 2011, 241). This is based on the idea that causal feedback loops between variables drive the system's behavior over time (Midgley 2000). A feedback loop is present when a variable is affected by something it has an effect on (either directly or indirectly). For instance, more chickens lead to more eggs, which in turn lead to more chickens. Chickens here are both a cause and an effect, because they are part of a feedback loop. Chickens and eggs cause more of each other to come into existence over time.

There are two main types of feedback loops: balancing loops and reinforcing loops (often called vicious or virtuous cycles) (Meadows 2008). The chicken and egg example is a reinforcing feedback loop. More chickens lead to more eggs and so on. This kind of feedback loop, if left unchecked will result in the increase (or decrease) of variables at an increasing rate. A balancing feedback loop, on the other hand, leads to more steady patterns of behavior over time that stay within a certain range. There would be a balancing feedback loop in the chicken population if a family of foxes were introduced to the system. The foxes will eat some of the chickens, leading to fewer chickens, which will lead to fewer foxes over time, as their food supply runs short, which will allow the chicken population to grow again, which will allow the foxes to eat more, leading to fewer chickens again. In this simple system, the populations of chickens and foxes will oscillate over time, within a certain range. Balancing loops often act as brakes in systems, slowing down the impacts of reinforcing loops.

Causal loop diagrams (CLDs) are an important tool in systems analysis. These diagrams can facilitate the analytical process and help keep an overview

of the interconnected causal relationships and feedback loops that drive a complex system (Sterman 2009). They are therefore very well suited to the purpose of theory-building and theoretical synthesis.

One can also use these tools to try to understand and anticipate how different interventions might influence the system's behavior over time, which is especially suitable for studies that are concerned with solving complex sustainability problems (Sterman 2012). If one would like to understand how business type drives economic growth, for instance, then one should identify the key variables (such as business goals and property rights); the relationships between them; and the core feedback loops. This would also allow for an exploration of how changing the institutional aspects of business might change the dynamics of the economy. In this way, systems analysis can help to identify the points in the system where it might be best to intervene for change (Meadows 1999).

Analytical framework

Combined, the post-growth perspective, critical institutional economics, and systems analysis form the basis of my analytical framework (*Figure 3*). This is the lens through which I have read the literature and the basic understanding upon which I developed the relationship-to-profit theory. I have used this analytical lens in reading, consolidating, synthesizing, and building on existing knowledge.

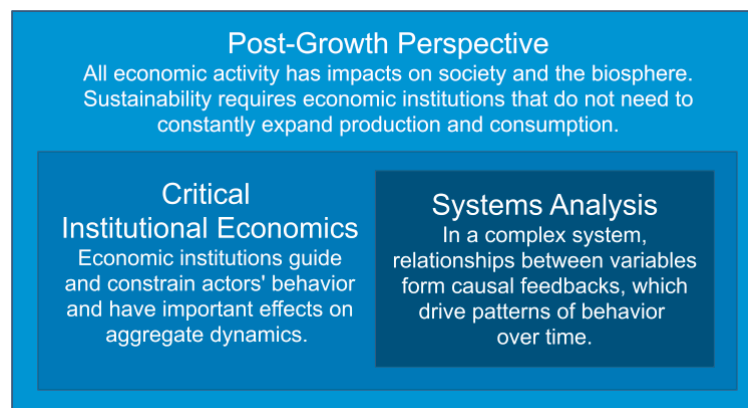


Figure 3 : Systems-informed institutional analysis for post-growth sustainability

Taken together, these analytical perspectives allow for a quite powerful and effective understanding of the role of economic institutions in driving or alleviating sustainability crises. Causal feedbacks between economic institutions and actors' behavior drive aggregate dynamics of markets over time, which have important effects on society and the biosphere (*Figure 4*). This implies that different institutional arrangements will have different

implications for sustainability and different degrees of (in)compatibility with post-growth aims.

In mapping out the causal relationships of institutional arrangements, it is possible to generate insights about how those arrangements drive system-wide dynamics over time to be more or less sustainable. This can be done for different types of institutional arrangements, to explore different scenarios. Thus, a critical systemic analysis of economic institutions can help to identify the institutions that are compatible, or not, with providing for everyone's needs within the ecological limits of the biosphere.

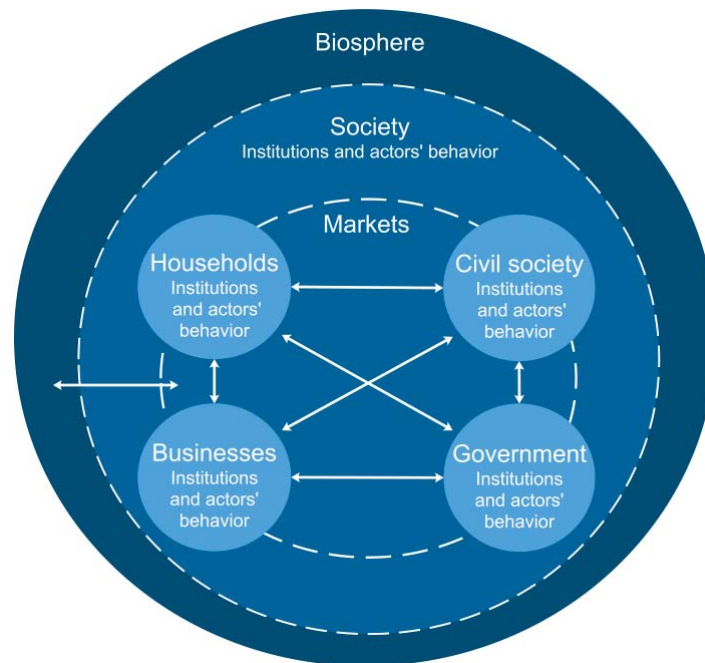


Figure 4: Conceptual overview of the economy through a systemic institutional lens

In answering my research questions, this systems-informed, post-growth, critical institutional perspective has guided me to look for:

- Institutional elements and configurations that might drive or alleviate economic growth, inequality, and ecological damage via socially-defined means and ends; rights and responsibilities; and constraints and incentives.
- (Mis)alignment of formal and informal institutions with post-growth aims.
- How the different aspects of the key institutional elements are (in)compatible with each other.
- Causal feedbacks between variables (at different levels) that drive the global economy's behavior over time, in relation to economic growth, inequality, and ecological damage.

From a systems perspective, the persistence of patterns of sustainability problems over time indicates that they are part of a systemic problem, rooted in endogenous system structures (Richardson 2011). The global nature of the problem suggests that the key variables driving the problem are also global in nature, as widely-used organizing principles, rather than context-dependent ones. Therefore, from the outset of this research, I have been focused on globally-relevant variables and dynamics.

Generating an explanation

In this thesis, I use the systems-informed institutional approach described above to develop an explanation of sustainability-related phenomena. A key part of any explanation is its causal claims. As this is a theoretical dissertation, I find it important to give a brief overview of the types of causal inference I use in this theory.

Causality can be said to have the following components: a distinction between the In Factor and the Out Factor; and the In Factor has an observable impact on the Out Factor in such a way that changing the In Factor would change the Out Factor (i.e., an intervention on the In Factor changes the outcome) (Pearl 2009). A critical realist would qualify this model of causation by adding the concept of tendency (Danermark et al. 2002, 55–58) – the In Factor *tends* to change the Out Factor. Therefore, an explanation offers a description of how the In Factor tends to impact the Out Factor when triggered. A strong explanation then will be built on strong observable impacts, whereas weak impacts might lead to a weaker explanation. In cases where observable impacts are not accessible for practical or ethical reasons, counterfactuals can provide the intervention mentioned above, in order to arrive at a *causal judgment* (Swedberg 2014, 117).

It is worth noting that causal power is a pre-requisite to causal mechanisms (Danermark et al. 2002). Just as water can put out a fire (whether it is used to do so or not), a for-profit business can deliver its profit to owners (whether its managers choose to do so or not). This causal power is in itself significant because it opens or closes a range of possibilities and, as mentioned above, institutional theorizing is based on understanding how structures allow for ranges of possibilities.

Danermark et al. (2002, 120–21) write about different modes of inference that are used in order to make sense of social life: deduction, induction, abduction, and retroduction. They highlight that, due to the intangible nature of many social structures, causality in social systems “involves properties, structures and mechanisms that can only be identified through retroduction and by means of abstract concepts and theories” (Ibid, 120-21).

In dealing with questions about *what is* and *what ought to be*, this dissertation largely takes an abductive and retroductive approach. Abduction involves reframing a phenomenon in a larger context, like reframing business

strategy and structure from a perspective that is skeptical of profit-seeking (Danermark et al. 2002, 81). Reconceptualizing economic institutions via abductive inference has played a central role in this thesis. Retroductive approaches can provide “knowledge of transfactual conditions, structures, and mechanisms that cannot be directly observed in the domain of the empirical” (Ibid, 81). This can be done by using hypotheticals to explore phenomena such as what business would need to be like to allow for a post-growth economy. I used a range of intellectual tools to build the causal inferences and explanatory power of the relationship-to-profit theory, as I will detail in the next section.

Theory-building as an iterative process

Many social theorists have described their theory development process as iterative. Having studied a sample of such theorists, Smith and Hitt (2007) surmise that most of them iterate between four basic stages: a motivating tension or puzzle to be resolved; searching for the basic elements and initial framework necessary to resolve the tension; elaboration to put the pieces together in novel ways; and proclamation and presentation of the theory to peers for review and feedback (*Figure 5*). This iterative process also describes my theory-building experience.

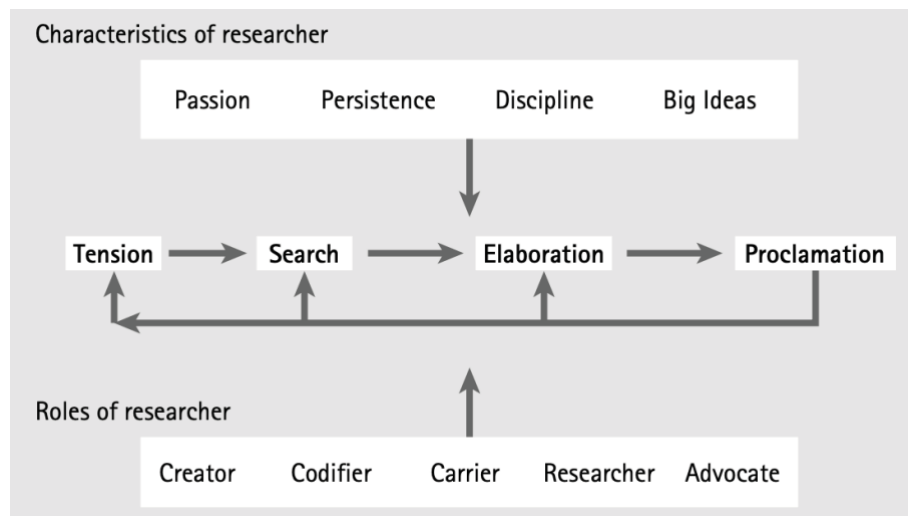


Figure 5: Process of theory development

(Source: K.G. Smith and Hitt (2007, 586). Figure reproduced with permission of Oxford Publishing Limited through PLSclear.)

In terms of practical steps, the search stage has involved reviewing literature for explanations and data relevant to my research questions. The elaboration stage has involved mapping out, synthesizing, and building on the

explanations. In the proclamation stage, I used feedback from peers to help me identify strengths and weaknesses in the theory and its conceptual components. Throughout this work, I kept coming back to the initial motivating tension to refine and sharpen my research questions, as I gained new insights about what to include and exclude from the theory. This is part of what systems thinkers refer to as boundary critique (Midgley 2000). I explain each of these steps in more detail below, followed by a discussion of the evaluation and validation of this theory.

Search: Literature review

Guided by the analytical lens outlined above and the motivating tension described in the Background chapter, I first read the post-growth literature on business to see how it treats relevant institutional elements, such as business ownership, goals and purpose, and relationship-to-profit. I was also examining if and how the literature links these aspects of business to the larger dynamics of economic growth, inequality, and ecological degradation.

I used my research questions and corresponding search terms to find relevant literature in post-growth studies. I found the post-growth literature on business to be quite small and scattered. I then embarked on a review of theories of the firm, sustainable business literature, and social enterprise literature¹⁹, to look for insights that I might be able to use in order to strengthen existing post-growth understanding and explanations of profit, business, and markets. I was searching for structural evidence of how different types of business relate to profit and social-ecological sustainability.

When starting out in a new direction in the literature, I sought out literature reviews, meta-analyses, and typologies, which could give me an overview of a lot of literature at once; like Walker's (2017) *The Theory of the Firm: An overview of the economic mainstream*; Hardt and O'Neill's (2017) "Ecological Macroeconomic Models: Assessing Current Developments"; and Isil and Hernke's (2017) "The Triple Bottom Line: A Critical Review from a Transdisciplinary Perspective". These allowed me to get an overview of bodies of literature and identify particular areas that might be more useful.

I annotated the articles, books, and reports I read in terms of how they relate to my research questions. I did so from a critical perspective – keeping an eye out for how authors approach the institutional elements related to my research questions (e.g., business ownership, distribution of profit, relationship-to-profit). This naturally led me to identify areas of weakness, confusion, and

¹⁹ It is perhaps worth noting that these different bodies of literature overlap with one another in many places. I have created these categories based on the language that the authors use to identify their research community, as well as in terms of the differences that are relevant to my research questions. For instance, I distinguish between sustainable business literature and social enterprise literature because the latter is more explicit about relationship-to-profit and business purpose, even though this literature is typically grouped all together.

inconsistency in the literature; as well as important insights and knowledge (which will be covered in the next chapter). I kept the annotated bibliography in a spreadsheet with my notes about each piece of literature as well as keywords, so that I could easily perform a search of all my notes. I wrote different summary texts to put the most important aspects together in one place; for instance, Theories of the Firm; Theories of Value; and Sustainable Business. All variables in the relationship-to-profit theory come from this literature review.

Elaboration: Synthesizing and building theory

While reading the literature, I used analytical tools to map out, synthesize, and build on the explanations that I found. These are tools that are typically employed in the process of building social theory, such as: conceptual maps, frameworks, models, metaphors, categorizations, cross-impact matrices, typologies, ideal types, as well as causal loop diagrams (Meredith 1993; Sterman 2009; Swedberg 2014). These tools enabled me to explore how variables relate to each other, to keep track of how the relationships and feedback loops all fit together, to clarify what I might be missing, and to communicate my analysis to others for feedback. The outcome of this elaboration process can be seen in the conceptual framework of profit-seeking strategies and sources of profit in Paper 1; the adaptation of Daly's Ends-and-Means spectrum in Paper 2; the Venn diagram, ideal types, and causal loop diagrams in Paper 3; and the framework and typology in Paper 4. Most of my conceptual drawings will never meet the public eye, but nonetheless they played an integral role in developing an understanding of how the variables fit together.

Writing out the explanations also played an important part in the analytical process, as it forced me to articulate the causal connections and dynamics in even more specificity and clarity. I also kept a PhD journal, in which I would write out ideas that were in the embryonic stage. It was through the process of thinking, writing, and drawing out the relationships between variables that the theory took shape.

When I fell into a gap in my knowledge, I looked for new literature that could fill that gap. As I reviewed the literature and analyzed the variables and the connections between them, I ended up examining several different aspects of the problem at once, as well as building up several different pieces of the explanation at once. This is why several papers contribute to answering each research question – I wrote all of the papers simultaneously.

After I had established a conceptual model of how relevant institutional elements create a range of acceptable behavior, I would go back to the literature to see if the evidence coincides with the expected outcomes in my model (Dugger's *contextual validation*). If not, then I went back to the drawing board. Because my focus has been on explaining global sustainability phenomena, I always sought contextual validation from national or

international level data, such as reports from the Organisation on Economic Cooperation and Development (OECD), International Labour Organisation (ILO), and United Nations Environment Programme (UNEP).

Proclamation: Peer review

Peer review²⁰ and discussion has played an integral role in this process, as is often the case in theory development (K. G. Smith and Hitt 2007). This happened both via formal peer review of my work through journals, conferences, and seminars, as well as in informal contexts in which I asked peers for feedback on my diagrams and on drafts of my written explanations. These reviewers were able to steer me toward useful literature, variables, terminology, and connections that I had missed. In fact, the term *relationship-to-profit* was suggested by an anonymous reviewer of Paper 3.

Tension: Boundary critique

Any good systems analysis involves thorough boundary critique, the process by which a researcher chooses which variables to include in their analysis and which to leave out (Midgley 2000). Boundary critique is an ongoing process in building social theory. As more evidence, information, and ideas come to light in the process of research, a theorist might choose to bring in new variables, leave certain variables out, or re-frame a variable. Importantly, values and priorities play a key role in shaping what a researcher decides to bring into or leave out of the analysis (Ibid).

Throughout this work, I have had to constantly make decisions about what to include and what to exclude in order to create the simplest explanation that does not lose its explanatory power (i.e., Occam's razor). The motivating tension, my research questions, my analytical lens, and the global nature of the problem have guided how I have drawn the boundaries of my analysis. In order to keep my explanation from becoming unnecessarily complicated, my main criterion for including or excluding a variable (or a relationship between variables) is that it must be an essential part of answering the research question at hand. For instance, I created several different iterations of the causal loop diagrams featured in Paper 3. Different versions of the diagrams had variables that are not in the final version, because I considered all relevant ideas I had encountered in the literature (e.g., consumer debt, prices, unemployment, and automation as drivers of growth, inequality, and environmental problems). But I found that many of these variables added complexity to the explanation without increasing the explanatory power of the model. Likewise, I checked

²⁰ Peers here include both academic peers from business schools, organizational studies, sustainability science, economics; as well as non-academic (practitioner) peers from businesses, activist networks, and NGOs.

what would happen to the explanatory power if I took out a variable, using the counterfactual reasoning described above. For instance, if I take the incentive to suppress workers' wages out of the equation in Paper 3, the explanation of inequality and wage stagnation falls apart. So it must remain an endogenous variable. Due to this boundary critique process, I had also many different versions of the frameworks presented in Papers 1, 2, and 4.

I intentionally used wider boundaries than typical economic approaches, in order to keep a focus on environmental and social elements that are often left out or marginalized in mainstream economics and business literature. Likewise, I used different boundaries than many sustainability analyses to bring in specific elements of business and the economy that are often left out of that body of research.

Evaluation and validation

A theory can be assessed in relation to its purpose (K. G. Smith and Hitt 2007, 581). The purpose of this theory is two-fold: (1) to provide a better explanation of how profit-seeking drives sustainability problems, in terms of more clarity, consistency, and coherence than those currently on offer; and (2) to explore how business, markets, and profit ought to be in a post-growth economy. In this vein, this theory is meant to spark democratic debates and discussions about what kinds of economic institutions are needed in order to transform or replace the current profit-seeking market economy for the sake of sustainability. It is certainly not intended to be the final word on the matter.

There are several ways in which I evaluated the usefulness and explanatory power of my theory: by cross-referencing it with empirical data; checking for applicability to real-world examples; using counterfactuals; and peer review. One key criterion that I kept in mind throughout the process is whether my explanation generates new insights (Danermark et al. 2002, 148).

I triangulated between different kinds of literature – white papers, reports, grey literature, and academic literature – in order to probe the connections between theoretical explanations and empirical evidence. I also tested these frameworks, models, and typologies by seeing how readily applicable they are to a wide range of real-world examples. For instance, in the case of Paper 2, I contemplated a range of business types, from a profit-driven shareholder corporation to a local family-owned restaurant to a charity shop. This helped me articulate the two indicators of profit-as-a-means, in terms of voluntary objectives and financial rights. The charity shop is not allowed to pursue profit as an end, due to its nondistribution constraint. The shareholder corporation explicitly declares its profit-seeking aims on its website. And the family-owned restaurant might not have any explicit profit-seeking aims, but it can distribute all of its profit to its owners in order to enrich them. The two institutional indicators in Paper 2 helped to explain the difference in the ways these kinds of companies approach profit.

I also used counterfactuals to test explanatory power. For example, in the Fit for Purpose paper, I used the counterfactual of imagining how a for-profit economic system might lead to inequality if owners did not accumulate wealth. In the Dimensions of Business paper, counterfactuals were helpful in testing whether a category should be its own dimension of business or included in other dimensions. For instance, if business strategy was only an outcome of incorporation structure, it would not need to be its own dimension. However, there is evidence of many different combinations of incorporation structures and strategies, so these are separate but interconnected dimensions of a business.

Given the fact that the different aspects of this theory have stood the test of critique by many of my peers from a variety of backgrounds, I feel confident that it is useful and brings important explanatory power to the issue of how dominant types of business in the market drive sustainability problems. Of course further validation is needed, which can be achieved by applying relationship-to-profit theory in future studies to collect data and perform analyses (which will be discussed at the end of the Synthesis chapter).

It is also worth noting that there is intrinsic scientific value in the reframing of variables and relationships that are commonly taken for granted because it pushes researchers to think differently about the problem, which can yield new insights (William M. Dugger 1979). New theories can highlight the need for new or better data. For instance, there is not very much data about the extent to which the private distribution of profit contributes to inequality. There is also not much data on the social and environmental impacts of NFP businesses, as distinct from FP businesses and charity-dependent nonprofits. Relationship-to-profit theory makes the case for why collecting these kinds of data is important, rather than collecting data according to the imperatives of existing economic theories.

Limitations and challenges

As with any research, this theory-building process has its limitations and challenges. Firstly, there is an inherent risk in institutionalist theorizing, as the types and categories that are developed (like the ideal types of economies in Paper 3) are done so at the epistemological level, which is subject to fallibility (Andreas Dimmelmeier and Heussner 2018). However, it is precisely because they are epistemological in nature that the conceptualization of different types of institutions allows for the development of theory about possible transitions from current dominant institutional types to alternative types (Ibid), which is of paramount importance for post-growth research and practice. So it is a risk that one must take.

Bridging several different disciplines has also been a challenge in this work. There are tradeoffs between depth and breadth. In trying to grasp the bigger picture, informed by several perspectives, I was unable to go deeply

into every corner of the literature. Because my review of the literature was more exploratory than comprehensive or systematic, I may have missed some important insights that could significantly weaken my theory (or conversely, strengthen it). I might have missed some key search terms that would have directed me to certain literature. Furthermore, because I was working only in the English language, I might have missed important insights published in other languages²¹. Although I started this thesis with a search far and wide for answers to my overarching research question and felt unsatisfied with what I found, I might have missed a theory or model that already exists and gives an elegant answer. So much work is currently being done in the “sustainable economy” space all around the world, including by non-academic actors and in other languages, that it is impossible to keep up with it all. This is a risk of any research that is situated on a rapidly developing frontier.

One of the ways I tried to reduce these risks was by sharing my ideas with peers from diverse fields and presenting the ideas at conferences, seminars, and non-academic events to get feedback (also from non-academic peers). In some cases, I have asked peers who are more specialized in relevant fields if I was missing anything essential and, indeed, they provided some important leads for further reading, even during the last months of writing this thesis.

Another limitation of any research is the biases and positionality of the researcher. I have dealt with this limitation both by getting feedback from a diverse range of peers, as well as by being transparent and explicit about my post-growth assumptions, biases, and perspective.

A final challenge has been that this dissertation not only questions the economic mainstream, but it also confronts widely-held norms and assumptions in post-growth economic approaches to business, profit, and markets. This means that I have not had any sort of research community that I can call a “homebase” in which I can simply relax and stop being an advocate of my own work. Perhaps this is an inevitable part of reframing institutions that have been taken for granted for so long (as Smith and Hitt (2007) show the “advocate” as one of the roles of the theorist in *Figure 5*).

Summary

To summarize, this thesis has been a process of consolidating and synthesizing theory in order to build a more robust account of how key institutional elements of business and markets impact social and ecological sustainability. I have searched for structural evidence about the institutional elements of for-profit and not-for-profit forms of business. I have identified causal feedback loops between key variables that can explain the impact of

²¹ For instance, I have been informed that work done by N. Luhmann, N. Paech, and J. Gebauer in the German language is relevant to my work. But I do not read German, so I was not able to use them in this thesis.

for-profit firms on social and ecological sustainability issues and how not-for-profit forms of business might have different consequences. I have examined the institutions and their related system dynamics to find possibilities for alternative causal mechanisms and to better understand how they might play out.

Of course, some explanations are better than others due to evidence and argumentation. Therefore, the benchmark I set myself for the answers to my research questions is that they must provide a clearer, more consistent, and/or more coherent explanation than those currently on offer in the field of post-growth economics. In this case, my theory must better explain the unsustainable dynamics of the economy than the following:

- unsustainable business management;
- large or growing companies;
- shareholder corporations;
- non-cooperative business structures;
- market logic;
- inadequate regulations and taxes; and
- profit-driven market competition and capital accumulation.

At the least, my theory should at least address the important weaknesses of these explanations, which are explored in the next chapter.

Literature Review: Untangling the relationships between profit-seeking and sustainability

In this chapter, I offer a critical institutional analysis of how business and profit are treated in the relevant literature, identifying some important weaknesses that this thesis addresses. I start with a brief overview of how post-growth literature treats business and profit. I then offer short descriptions of how theories of the firm, sustainable business literature, and social enterprise literature address my research questions. In particular, I identify what I found useful in these bodies of literature that fills important gaps in the post-growth literature. The chapter finishes with an overview of the strengths and weaknesses of these different bodies of literature and a discussion of remaining weaknesses that the relationship-to-profit theory addresses.

Business, markets, and profit in post-growth literature

Businesses are at the heart of the global economy, so a sophisticated theoretical understanding of the nature and structure of firms is essential for understanding how the economy functions (Walker 2017). Therefore, post-growth transitions should be based on a deep understanding of how businesses are structured and how they operate – even if only to move away from the dysfunction of business-as-usual.

Yet, the post-growth literature on business is relatively small, piecemeal, and scattered (Nesterova 2020). These approaches largely overlook the regulative dimensions of the firm, including relationship-to-profit and the right to distribute profit. Instead, studies tend to focus on the size and geographical scope of business (e.g., Jana Gebauer 2018; Trainer and Alexander 2019), everyday practices (e.g., Schmid 2018), closed-loop production strategies (e.g., Kopnina 2016), other-than-profit goals (e.g., Johanisova and Fraňková 2017), and governance (e.g., Johanisova, Crabtree, and Fraňková 2013). There is often a focus on cooperatives, social enterprises, and new legal forms of business, such as Benefit Corporations (e.g., Dietz and O'Neill 2013; Twomey and Washington 2016, 140–41). Some authors also write about new conceptualizations of business such as sufficiency-based business (Bocken and Short 2016), rightsize business (Reichel and Seeberg 2011), and eco-social enterprise (Johanisova and Fraňková 2017).

The scholars who take into account the legal dimensions of the firm largely focus on shareholder corporations as unsustainable and cooperatives as more sustainable, based on the assumption that a more democratic ownership structure will result in better sustainability outcomes (e.g., Lange 2018). Sometimes, family-owned firms are promoted as post-growth-compatible (e.g., Trainer and Alexander 2019). This focus on the shareholder corporation as *the problem* fails to address how other incorporation structures can also drive negative consequences for society and the environment. For instance, private equity firms and venture capital, which are not publicly-listed shareholder corporations, can also cause social and ecological harm. In the pharmaceutical industry, for instance, medication prices have been raised in order to increase returns to private equity firms (Gustafsson, Seervai, and Blumenthal 2019).

Part of the reason that business is treated in such a piecemeal way in the post-growth literature is that the traditional frameworks and concepts provided by microeconomics and organizational theories are not suitable for post-growth purposes. Businesses are generally assumed to be for-profit, while not-for-profits are seen as non-business organizations (e.g., Alchian and Demsetz 1972). Most post-growth economic approaches have inherited this dichotomy. For example, Schmid (2018, 16) contrasts “nonprofit objectives” and “market orientation” as being at opposite ends of a spectrum. In the article, Schmid sometimes uses the word “market” as a synonym for profit-seeking and for-profit business (e.g., “market-driven” on p. 18) and other times the author uses it as a synonym for commercial organizations (e.g., “market-oriented” on p. 16). Yet, “for-profit” and “commercial” are very different organizational attributes. For-profit describes the legal purpose, ownership, rights, and responsibilities of an organization, whereas “commercial” refers to whether an organization engages in trade. This difference is important for understanding how economies might be sustainable or not. However, there seems to be little awareness that businesses can be NFP. This is demonstrated by the fact that neither “for-profit” nor “not-for-profit” are mentioned anywhere in Nesterova’s (2020) quite comprehensive review of post-growth approaches to business - even though the author discusses the profit motive and profit maximization throughout the article. Thus, in most post-growth economic thinking, businesses and markets are assumed to be for-profit.²² This is reinforced by the persistent concern expressed that as long as firms are

²² Johannisova et al. (2013) do use the terms “for-profit” and “not-for-profit”, but do not clearly acknowledge the latter as a vehicle through which business can be undertaken. Rather, they maintain the divide that business and the market must be for-profit and not-for-profits are charities in the caring economy. In their concept of the “liminal zone”, they blur the distinction between for-profit and not-for-profit legal types, which is not helpful for understanding how the legal rights and responsibilities of a firm relate to profit. Lange (2018, 101) mentions that “business types where profit-based payments are prohibited and foundations are compatible with post-growth economies”, but there is not much more attention paid to this. As an exception, Hinton and Maclurcan (2016) is based on NFP business.

profit-driven, this might keep them from being strongly sustainable, sufficiency-based, or focused on social benefit (e.g., Bocken and Short 2016; Johannisova, Crabtree, and Fraňková 2013). If these authors were aware of NFP forms of business, they would likely bring it up when discussing these concerns.

There also seems to be a widespread assumption in the post-growth literature that the only alternatives to capitalist forms of business are cooperatives or state-owned businesses. Gibson-Graham et al. (2013) is a good example of the type of confusion that I have often encountered in the literature, presumably due to the lack of understanding the institutional differences between for-profit and not-for-profit legal types. On p. 14, the authors mistakenly say that a not-for-profit company has shareholders – which is not accurate (either it does not have shareholders or it is for-profit). On the same page, they categorize this NFP company as “alternative capitalist”, while a cooperative of machinists (presumably a workers cooperative) is categorized as “noncapitalist”. However, worker cooperatives involve private ownership and allow for profit-seeking (which are defining features of capitalism) (John Pencavel and Craig 1994), whereas NFP structures do not (ICNL 2013). Therefore, the NFP business fits into the noncapitalist category and the worker cooperative should be categorized as alternative capitalist. This mix-up indicates a lack of understanding the ownership element of for-profit and not-for-profit structures, as well as how it relates to capitalism. I am not attacking Gibson-Graham here. They have done incredibly important work for the field of post-growth economics that I have found enlightening. I am simply using this as an example (one of many I found in the literature) of how confused the post-growth scholarship often is, when it comes to legal aspects of business structures and how they relate to the aggregate economy.

There is also a lack of consistency in the post-growth literature when it comes to key institutional elements of business. While many scholars are wary of profit-seeking, some take profit-seeking for granted. Reichel and Seeberg (2011, 4), for instance, assume that businesses must increase profit margins. Likewise, Khmara and Kronenberg (2018); Upward and Jones (2016); and Wells (2016) all take profit-seeking for granted and seem to think that it can be compatible with post-growth economies. Dietz and O’Neill (2013, 146–48) promote the idea of shared value in a steady state economy, which focuses on creating economic value in ways that also creates value for society. Most of this part of the literature does not clearly explain how profit-seeking and the private distribution of profit to owners would not drive the growth of production and consumption, or increase inequality, as other authors have claimed.²³

²³ Reichel and Seeberg (2011) propose that ecological allowance accounting can be used to make sure that businesses stay “rightsize” and do not drive growth in material throughput on the larger scale. Yet, they leave the issues of inequality and the private distribution of profit unresolved.

In fact, much of the post-growth literature regarding business neglects the ways in which firms drive large-scale trends, as well as the ways in which firms are impacted by those trends (e.g., Earl 2017; Johannisova and Fraňková 2017; Schmid 2018). O'Neill et al. (2010, 94) mention that co-operatives, foundations, and community interest companies “are not subject to the same growth imperative as profit-maximising shareholder corporations”, but do not explain why or how. Likewise, much of the literature on aggregate sustainability-related dynamics does not address how business drives those dynamics.²⁴

While profit-seeking is often acknowledged as a key driver of larger sustainability dynamics, business is somehow largely left out of these discussions. In the book, *Degrowth: A Vocabulary for a New Era* (D’Alisa, Demaria, and Kallis 2015), a broad collection of post-growth thinking, the *Growth* entry manages to explain economic growth without acknowledging a central role for business and profit (Victor 2015). The entry discusses technology, GDP as a measure of progress, commercialization, commodification, goods and services, markets and investment, but only once mentions business and profit (when describing Schumpeter’s concept of creative destruction). I found the same issue in Gómez-Baggethun’s (2015) entry on *Commodification*, in which there is a lot of discussion of “the market”, market values, market logic, market-based instruments, market incentives, producers and consumers – yet the roles of business, its institutional elements, and profit are left unexamined. Although there is a strong focus on profit and investment in the *Capitalism* entry by Andreucci and McDonough (2015), they mention firm only once.²⁵ Who is making the profit and where are capitalists investing, if not in firms? Likewise, what are markets without businesses? How does commercialization and commodification come about without firms? Clearly, some essential structural elements and processes are being neglected. I found the same problem in more recent works. For example, in the *Routledge Handbook of Ecological Economics* (Spash 2017a), which is an impressive 525-page collection of post-growth thinking, there is relatively little mention of profit or business and the discussions that do happen are isolated from explanations of aggregate economic and sustainability dynamics.²⁶ Similarly, there is hardly any mention of business in Farley’s (2016, 185) discussion of capitalism and the steady state economy in *A Future Beyond Growth* – and, again, the main solution put forward focuses on cooperatives, but with only a vague hint of how a steady

²⁴ Lange (2018) and Hinton and Maclurcan (2016) are exceptions to this.

²⁵ No mention of the synonyms: business, company, or enterprise.

²⁶ According to the index, “profit”, “profit maximization”, and “surplus value” are discussed only 5 times. Likewise, “business” and its synonyms (such as “enterprise”, “company”, and “firm”) are discussed 13 times, 12 of which occur in two chapters: Eco-Social Enterprise and Theory of the Firm. Again, this shows there is no discussion of business as a driver of larger dynamics. For comparison, “property” and “private property” are discussed 46 times and throughout the book.

state economy would transform or replace the current profit-driven market economy: that capitalism should have a “shrinking role in a hybrid economy”.²⁷ As Pirgmaier and Steinberger (2019, 8) point out, not only are markets, business, and profit largely overlooked in post-growth research, but some ecological economists have actively discouraged the study of markets.

As such, there is no clear account of the central role of markets, business, profit, and corresponding institutional elements in most post-growth theories, even though the competition for profit has been identified as a key driver of the problem. This indicates that new theoretical frameworks are required.

Theories of the firm

While reading the post-growth literature on business, I realized that I needed to gain a better grasp of where current approaches to business and profit came from, as well as a better understanding of the different institutional elements of business that relate to profit, and how they fit together. Toward this end, I reviewed theories of the firm.

It is worth noting that in the beginning of modern economic inquiry, the neoclassical economic model as outlined by Léon Walras, did not have any firms – only “production units” (Walker 2017). The neglect of firms in classical and neoclassical economics was a trait inherited from the early political economists, who developed their ideas in an 18th century European context in which the topic of the day was whether free trade or mercantilism should prevail (Micklethwait and Wooldridge 2003; Walker 2017). This meant that their analyses stayed focused on pricing, trade, the domain of the market versus state, and the growth of national wealth (Heilbroner 1999). Due to this historical context, neoclassical economics assumes that firms are only important for the macroeconomy in terms of their production function, so it is not important to understand them, but rather to merely represent their production function in economic theories and models (Walker 2017). In this way, the firm remained a black box in the study of the economy until the 1920s and 30s. There was no description of what went on in the black box of the production units or why or how different production units interacted with each other. But by the 1920s, it had become clear that firms were key economic actors and that they were diverse, so it was important to figure out what they really were and what made them tick (Walker 2017). Thus, the research field of theories of the firm was born.

²⁷ The chapter on business in this book (Kopnina 2016) is an account of a pedagogical experiment in which students were assigned to perform circular economy analysis and consultation for a company that builds bridges. Aside from a circular economy focus on closed-loop production, it provides hardly any guidance for how the nature and structure of business should be in a steady state economy and does not clearly connect institutional elements of business to the larger sustainability dynamics. Oddly, much time is spent on the issue of population growth in this business chapter.

These first theorists asked questions like: Why do firms exist?; What are firms' boundaries?; and Why do they behave the way they do? For example, why do firms decide to produce some things themselves, but purchase some things from other firms? How do they make such decisions? (Walker 2017)

However, it is important to keep in mind that these theorists were asking these questions in a specific geographical and historical context, which shaped their assumptions and approach. They were not thinking of which purpose companies serve *in society*, when they asked "Why do companies exist?", but rather they wanted to know why, if the price mechanism worked so well, companies existed instead of a bunch of entrepreneurs trading with each other. Knight (1921), for instance, posited that businesses exist because entrepreneurs can protect employees from the uncertainties of the market and that is also why the entrepreneurs should receive profits. Coase (1937) suggested that a company (as opposed to a sole trader or a small family business) can take advantage of economies of scale to reduce the monetary and time costs of constantly forming new contracts (finding partners, negotiations, and monitoring contract obligations) - also known as transaction costs. When Berle and Means (1932) wrote about the modern corporation and private property, they were not questioning the private ownership of firms, but instead were worried that the shareholders would be betrayed by professional managers. As such, these early theories of the firm took a lot of neoclassical economic assumptions for granted.

Even more recent theories of the firm have taken for granted that actors are financially self-interested, that firms are privately owned and for-profit, and that profit-seeking is their main purpose (e.g., Dean 2013; Foss and Klein 2012; Langlois and Cosgel 1993; Penrose 2009). They do not often question whether there are social or ecological limits to profit. Nor do they often ask deeper questions about the role that firms play in society, in terms of delivering social benefit. Freeman's (1984) stakeholder theory of the firm is a notable exception to this, which sees the firm in a wider social context and proposes that firms should take into account more types of stakeholders in their decision-making, in addition to shareholders. However, even Freeman takes for granted that firms are privately owned and operated for profit.

Theories of the firm tend to explain the existence of not-for-profit organizations as having emerged to compensate for market and state failures, and it is usually taken for granted that NFPs are charity-dependent. An important exception to this is Thompson and Valentinov (2017, 1079) who make the point that "future work is needed to analyse the many other manifestations of the antagonistic relationship between the firm and its environment, social and natural alike", and that research needs to "further explore the environmentally restorative qualities of unconventional institutions, such as cooperatives, non-profits and other 'social-economy' organisations, in order to attain a more sophisticated understanding of institutional diversity".

I did gain some important insights about how businesses drive sustainability problems from this body of literature. For instance, Penrose (2009) foresaw the danger that profit-seeking strategies would lead to market concentration if the assumption of competition did not hold in reality.²⁸

The discussion of property rights in theories of the firm was particularly illuminating in relation to my research questions. There is a lively debate about whether shareholders are owners, whether creditors are owners, and whether managers are owners. Scholars mention an important difference between the right to control or manage a business (i.e., control rights) and the right to appropriate the assets and profit of a business (i.e., financial rights) (e.g., Alchian and Demsetz 1972; Sanford J. Grossman and Hart 1986; Libecap 1986; Williamson 1991; Chaddad and Cook 2004; Orts 2013; Hodgson 2015). These discussions also touch on how the assignment of property rights drives market dynamics through incentives. This clearly fills important gaps in the post-growth literature in terms of clarifying: the institutional aspects of business ownership according to types of rights and responsibilities; how business ownership is tied to the pursuit and distribution of profit via financial rights; and how profit-seeking and the assignment of property rights of business drive aggregate dynamics.

Theories of sustainable business

Approaches to understanding “the firm” have changed over the years. As sustainability problems have become a growing concern, more attention has been paid to how firms can and should contribute to resolving these issues. As such, a relatively new body of literature has emerged in the disciplines of organizational and business studies that specifically addresses sustainable business. However, to my surprise, I found as much inconsistency and confusion in this body of literature as in the post-growth field, when it comes to profit, as well as the ownership, goals, and relationship-to-profit of business.

In these sustainability-oriented theoretical approaches to the firm, profit is still largely seen as a primary purpose of firms and profitability is seen as a key indicator of a firm’s health and success. However, building on Freeman’s (1984) idea of a firm having multiple stakeholders, these theories propose that firms should try to balance their profit-seeking goals with socially- and environmentally-oriented goals (e.g., Dyllick and Muff 2016; Elkington 1994; Lozano, Carpenter, and Huisingh 2015; Schaltegger, Lüdeke-Freund, and

²⁸ In her words: “It cannot be too forcefully emphasized that the whole case made by the advocates of big business rests on the insistence that competition in a very real and pressing form is constantly and powerfully in evidence. Hence, the case presented breaks down if a few big firms get so big and so powerful that they are in a position substantially to restrict competition amongst themselves” (Penrose 2009, 326).

Hansen 2016; Stubbs and Cocklin 2008). These theories often refer to the *double bottom line* (balancing financial dividends with social benefit), the *triple bottom line* (balancing “people, planet and profit”, as the catch-phrase goes), *shared value* (value for shareholders and other stakeholders), and *win-win-win* situations (in which society, the planet, and investors all benefit).

Although these ideas promote the balancing of profit for investors with social and ecological concerns, there has always been confusion when it comes to the means and ends of business. It is unclear whether businesses should see profit as a means to achieving sustainability as an end; or if sustainability should be seen as a means to achieving profit; or if profit and sustainability should somehow be both means and ends. For example, in 1994 when John Elkington coined the term “triple bottom line”, he wrote, “A key challenge for business in the 1990s will be to convert some of its most critical stakeholders, such as campaigning environmentalists, into a new form of ‘customer’” (Elkington 1994, 97). The common assumption is that companies will only achieve sustainability if they can make a profit doing so (Málovics, Csigéné, and Kraus 2008). However, some authors have pointed out that corporate social responsibility and sustainability efforts are not working, and this is exactly *because* companies tend to use strategies that will not sacrifice profit for social benefit and therefore they do not undertake more high-impact sustainability measures (e.g., Lodsgård and Aagaard 2017; Schneider 2020). This highlights that potential tradeoffs between profit and social-ecological sustainability indeed exist, but are mostly neglected in the sustainable business literature.

Despite this tension, most theories in this field take a triple bottom line approach, which advocates that both profit and social-ecological sustainability should be an end (Hahn et al. 2010; Isil and Hernke 2017). For example, the first principle of Lozano et al.’s (2015, 440) theoretical synthesis of a “sustainability oriented theory of the firm” is “the firm has to generate profits”. There is sometimes a mention of tradeoffs between profit on the one hand, and social and ecological outcomes on the other (e.g., Lüdeke-Freund 2020, 668), but this concern is not usually given much weight and does not deter the authors from assuming that people, planet, and investors can all benefit.

Sustainable business literature often promotes the idea that businesses should shift or transform their purpose, but then paradoxically assume that profit should continue to be a goal (e.g., Schaefer, Corner, and Kearins 2015; Stubbs and Cocklin 2008). In this way, the *broadening* of business goals is often confused with *transforming* or *redefining* business goals. For example, Stubbs and Cocklin’s (2008) article features a whole section called “Redefining the Purpose of Business”, but it might more accurately be called “Expanding the Purpose of Business”, as it adds social and environmental concerns on to the centrality of the profit-seeking purpose. Perhaps this conundrum occurs because much of this literature uses the “business model concept”, which does not explicitly deal with a company’s purpose. As

Bocken et al. (2014, 43) say, “Business models are concerned with how the firm defines its competitive strategy through the design of the product or service it offers to its market, how it charges for it, what it costs to produce, how it differentiates itself from other firms by the value proposition, and how the firm integrates its own value chain with those of other firm’s in a value network”. There is nothing about purpose there, but sustainable business research keeps trying to use business model approaches to conceptually repurpose business (including the Bocken et al. (2014) article itself).

In fact, Bocken et al.’s (2014) paper is a great example of the inconsistencies I discovered in the sustainable business literature when it comes to purpose, relationship-to-profit, and profit-seeking in business. Initially, the authors take a quite radical approach, proposing that a sustainable economy should focus on maximizing “societal and environmental benefit, rather than prioritising economic growth” and that businesses have a key role to play (Ibid, 42). The article has a section titled “Repurpose the business for society/environment”. Interestingly, this paper does actually seem to refute the triple bottom line approach, saying clearly that businesses should be oriented towards social and environmental benefit, *rather* than profit-seeking. Yet, they decide to define social enterprises as for-profit, which reveals a lack of knowledge about NFP business. Instead, they take the common inaccurate assumption for granted that all NFPs are charity-dependent and “less well suited to long-term continuous business operations” (Ibid, 53). (Examples such as the YHA, which has been operating as an NFP business since 1930, fly in the face of such claims (YHA 2020)). Near the end of the article, Bocken and colleagues go on to contradict their earlier statements when they write, “Demonstrating various options and possibilities for sustainable business models will open up new areas of research and inspiration for practice (companies, NGOs, government) on how to *translate social and environmental value creation into economic profit and competitive advantage for the firm to build the ‘business case for sustainability’*” (Ibid, 54-55) (my emphasis). In one breath they advocate for repurposing business to focus on social and environmental outcomes rather than profit-seeking (i.e., sustainability as an end), while in the next breath, they claim that social and environmental value creation should be translated into economic profit and competitive advantage (i.e., sustainability as a means and profit as an end).

This inconsistency between profit as a means or an end can be found throughout the literature. For instance, Schaeffer et al. (2015) claim that sustainable businesses should treat profit as a means rather than an end, but for that claim they reference an interview about shared value which frames social benefit as a means to achieving higher profitability. Likewise, Dyllick and Muff (2016, 168) suggest that sustainable businesses go from a triple bottom line approach to “Creating value for the common good”, however they then proceed to write ambiguously about “including all three dimensions of the triple bottom line”, making “business sense” out of sustainability, and “broadening” business concerns. The overall problem here is that the focus on

win-win-win situations and making “the business case” for sustainability leads businesses (and business scholars) to judge sustainability concerns through the lens of profit maximization, rather than as goals in and of themselves (Hahn et al. 2010). If there are significant tradeoffs between profit and social-ecological sustainability, this is highly problematic.

When it comes to larger dynamics in the economy and society, many sustainability-oriented approaches to business look at how firms might contribute to positive change, without paying much attention to how they systemically contribute to sustainability crises (e.g., Lozano, Carpenter, and Huisinigh 2015; Schaltegger, Lüdeke-Freund, and Hansen 2016). However, some sustainable business authors have offered important explanations of the cross-scale dynamics of business. For instance, Bapuji et al. (2018) explains how profit-seeking and profit distribution by businesses drives inequality. Also, Schneider (2020) explains how the larger dynamics of the capitalist market keep businesses from acting more sustainably, as part of a vicious cycle (i.e. causal feedback loop). These articles in particular offer important insights for answering my research questions, but it is unfortunate that they are so few and far between.

Social enterprise

The social enterprise literature is often shuffled into the “sustainable business” category. However, this sub-category of literature does often directly discuss relationship-to-profit, profit-seeking, profit distribution, and the purpose of business, so it is distinctly relevant to my research questions. Therefore, it is worth distinguishing as its own (albeit small) body of literature.

In general, I also found the social enterprise literature to be inconsistent when it comes to my research questions. However, the fact that the literature treats the formal regulative institutional elements in such an explicit way helped give my research a clearer direction and vocabulary.

The social enterprise scholarship is more explicit about relationship-to-profit than any other bodies of work covered in this review. In contrast to the literature reviewed above, these authors frequently acknowledge that NFPs can be businesses (e.g., Borzaga and Tortia 2007; Reiser and Dean 2017). This is likely related to the rise of new social enterprise incorporation structures, such as the Benefit Corporation in the US, the Community Interest Company in the UK, and Social Cooperatives around Europe; some of which are FP and some of which are NFP.²⁹ Therefore, the importance of relationship-to-profit comes to the fore.

²⁹ Perhaps surprisingly, many incorporation structures for social enterprise are only available in a for-profit form (e.g., the Benefit Corporation in the US). However, a great number of social enterprises in many countries are simply the business subsidiary of a foundation, NGO, or charity (often referred to as hybrids). The latter fit the legal description of an NFP, because

Yet, there is no solid definition for “social enterprise”. Although it is broadly defined as an entrepreneurial organization with “a relevant degree of public benefit connotation” (Borzaga and Tortia 2007, 33), this leaves a lot of room for interpretation and, indeed, I found a wide range of interpretations. Due to the vague definition of social enterprise, some authors use the term only in reference to FP enterprises (e.g., Mair, Robinson, and Hockerts 2006), while others focus more on NFP enterprises (e.g., N. Thompson, Kiefer, and York 2011), and yet other authors seem confused as to what they think about the for-profit/not-for-profit distinction in relation to sustainability outcomes (e.g., Borzaga and Tortia 2007). In some instances, Borzaga and Tortia (2007) clearly favor non-ownership by investors (e.g., on page 39), but at other times say that the NFP form of business is too narrow to allow for the “social economy” as they would like to define it (e.g., on pages 30- 31), even though the alternative (i.e., for-profit) involves private ownership by investors.

I also found that authors use different terms to refer to the distinction between for-profit and not-for-profit (such as legal form, organizational form, legal structure, and legal type), which does not facilitate discussions about how important this aspect of business might be for delivering positive social and ecological outcomes. The terms used are also not sufficiently precise. For instance, “legal type” could refer to a wide range of institutional aspects. This is what prompted me to derive the term “relationship-to-profit” in Paper 3, which is more precise and accurate (a point that will be discussed in the next chapter).

When it comes to profit-seeking and other goals, some authors propose a double-bottom line approach (e.g., Reiser and Dean 2017) or a triple bottom line approach (e.g., Mair, Robinson, and Hockerts 2006), while others say that renouncing the profit motive allows social enterprises to reconcile different stakeholders’ interests (e.g., Borzaga and Tortia 2007). Certain authors connect business purpose and goals directly to relationship-to-profit; for instance Thompson, Kiefer, and York (2011) refer mostly to NFPs and describe how such enterprises put social mission ahead of profit.

Reiser and Dean (2017) is a good example of the kinds of tensions and inconsistencies I found in this literature when it comes to key institutional elements. The authors state that the NFP type has advantages, due to the legal nondistribution constraint, pure dedication to mission, and trust, but suggest that social enterprises should be FP (Reiser and Dean 2017, 24). They mention several times that profit is needed to incentivize investment and that is why social enterprises should be FP, but then they also mention that NFPs can be profitable (and profit can be reinvested). They also write a considerable number of times about how dysfunctional triple bottom line approaches are -

there is no chance for profit to be privately distributed, so long as they remain fully owned by an NFP.

and that is why they seek to cement a social mission into a for-profit business type.

Another example of the vagueness I found in the social enterprise literature is a conceptualization of the non-profit to for-profit continuum offered by Marshall et al. (2015) (*Figure 6*). The spectrum is organized in terms of whether the organization prioritizes financial goals, social goals, or both, as well as whether it engages in commercial exchange. However, their spectrum does not clearly identify which types of organizations are FP or NFP in terms of their legal structure. It does not even mention the right to distribute profit, which is arguably *the* key difference between FP and NFP (i.e., the nondistribution constraint).

<i>Charity / NGO</i>	<i>NGO with revenue-generating activities</i>	<i>Social enterprise</i>	<i>Socially-responsible business or B-corporation</i>	<i>Corporate social responsibility (CSR)</i>	<i>Traditional corporation</i>
Enterprise has exclusively social goals with no commercial exchange	Profits directly or indirectly support exclusively social goals	Social goals are primary or equal to profit-making goals	Social goals are prominent but secondary to profit-making goals	Social goals exist in support of primary profit-making goals	Enterprise has exclusively profit-making goals

Figure 6: Continuum of non-profit to for-profit

(Source: Marshall et al. (2015, 86). Table reproduced with permission of Informa UK Limited through PLSclear.)

When it comes to considering business as a driver of sustainability dynamics, this literature does not have much to say. One gets the sense that this field sees social enterprise as a niche and the authors do not envision an entire economy shifting to social enterprise models. As an exception to this, Borzaga and Tortia (2007) mention that social enterprises can contribute to community development and hint at transitions from FP markets to NFP markets.

Hillman et al. (2018) conducted the only work that I found which probes social enterprise as an instrument for larger sustainability transitions. However, the authors claim that, because the seven social enterprises that they examined face scaling issues and they are too small to replace the neo-liberal market, there is no hope for social enterprise to transform the dominant economic regime. There are various problems with Hillman et al.'s article; chiefly that the method of in-depth interviews with seven companies in the UK is not the best way of trying to answer a research question about large-scale transitions away from the neoliberal paradigm. Furthermore, the authors leave many questions unanswered which relate to their assumptions about what needs to be transitioned away from, how transitions happen, what kind

of scaling is necessary for sustainability transitions, and how scaling could occur.

Overall, my review of the social enterprise literature reveals a pattern of authors being explicit, yet inconsistent and vague when it comes to how relationship-to-profit, the purpose of business, profit-seeking, and the distribution of profit relate to sustainability. Nevertheless, all of its messiness and contradictions aside, the social enterprise literature does illustrate just how deeply connected the purpose, ownership, and relationship-to-profit of business are.

Remaining problems

It is worth noting that the inconsistency and confusion that I identified in these bodies of literature are to be expected in new fields of research and pioneering work. Although I identified weaknesses in all of the bodies of literature included in my review, I gained important insights from these different approaches that can be used to strengthen the post-growth understanding of the roles that business, markets, and profit play in sustainability. Below I offer a short summary of the key weaknesses and strengths that I identified in relation to my research aims.

Much of the scholarship is vague, inconsistent, or mistaken when it comes to the formal regulative institutional elements of business (with the exception of theories of the firm and some of the social enterprise work). Only the social enterprise literature focuses on the alignment of regulative institutions (e.g., incorporation structure and relationship-to-profit) with informal institutions of the firm (e.g., business goals) to some extent; yet it is inconsistent in its insights about how alignment for sustainability can be achieved.

The inconsistencies and confusion that I encountered in the sustainable business and social enterprise literature highlight for me that there is a need to clarify the relationship between profit, a business's financial purpose and goals, and a business's social benefit purpose and goals. The sustainable business literature largely assumes that what is good for society is also profitable, but they inevitably run into tension with that assumption. Similarly, much of the post-growth literature assumes that what is good for society is fundamentally at odds with business, markets, and profit, but that literature does not offer suitable alternatives. I found that this important tension between social benefit and private gain cannot be assumed away. In particular, this tension bubbles up to the surface in social enterprise discussions, but there is so much inconsistency and a lack of connection to larger sustainability dynamics, that there is no clear guidance for thinking about how to organize business for a sustainable economy. When are there tradeoffs and when might profit and social-ecological sustainability be aligned? This question is left unanswered.

Similarly, the messiness in the literature reveals a need to more clearly articulate how the relationship-to-profit of business is connected to business purpose, ownership, and profit-seeking, from a sustainability perspective. The insights that I gained from reading about the difference between control rights and financial rights in theories of the firm allowed me to identify the lack clarity around the issue of business ownership in the other bodies of literature, and to fill that gap. However, even when these gaps are filled, there is still a lack of clarity about how control rights and financial rights relate to post-growth organizing.

In all of these areas of research, there is a mismatch between the scale of the problem and the scale of proposed solutions. If profit-seeking business is currently a systemic driver of sustainability problems, then piecemeal understandings and solutions will not suffice. A systemic understanding is needed.

Unstated theories of value

In reviewing the literature, I found another important variable that I had not previously been considering: value. There are references to an undefined notion of “value” throughout all of this literature. It is a word that is thrown around as if everyone is on the same page about what value is and where it comes from. For example, Lüdeke-Freud (2020, 667) writes that business should “create value for a broad range of stakeholders”; in Hinton and Maclurcan (2016, 13) we mention “generating value for the wider community”; Borzaga and Tortia (2007, 27) allude to economic and social surplus value; and Reichel (2017, 108) refers to value throughout the article (e.g., “diverse and heterarchical networks of value creation”). Yet, in all of these texts it is not clear what this means. What kind of value is created and for whom? Where does this value come from? In reading these pieces of literature, one gets the sense that the authors are discussing value in different ways and probably have different implicit theories of value. Pirgmaier (2021) rightly points out that, as a central aspect of how economies and businesses are organized, theories of value need to be explicit. Perhaps the vagueness about value is related to the other points of confusion, for instance, around tradeoffs between profit and social-ecological sustainability. This inspired me to deal explicitly with theories of value in Paper 1, which I describe in the next chapter.

Four Papers and Their Assertions

Paper 1: Sources and Limits of Profit

Hinton, J.B. "Limits to Profit? A conceptual framework for understanding profit and sustainability." Manuscript to be submitted to *Ecological Economics*.

This article seeks to unpack how the generation of profit affects social and ecological sustainability. It begins by framing profit as not necessarily sustainable or exploitative and posits that there are four main aspects of profit that must be understood for the purposes of sustainability: profit is largely treated as an end in capitalist economies; there are only so many ways to generate profit; there are social and ecological inputs and impacts in the process of generating profit; and different profit-seeking strategies have different social and ecological implications. I briefly elaborate on these points below.

In order to understand profit, one must understand the underlying notion of value. Value is socially-defined and different economic systems are organized according to different understandings of value. The capitalist type of economy largely defines value in monetary terms and prioritizes money (and profit) as an end. Because profit comes from cutting costs and/or increasing revenue, there are a limited number of ways to generate profit and only so many opportunities for profit in an economic process. Those opportunities often align with social and ecological inputs and impacts. When social and ecological stakeholders are not compensated for their contributions, they can be considered unpaid inputs and, thus, sources of profit. This can happen in a voluntary and informed way, or in an exploitative way. Profit is derived from the exploitation of social stakeholders, when one party financially benefits at the expense of another party (i.e., when the unpaid contribution is not voluntary and informed). The exploitation of nature as a stakeholder is more complicated. All economic activity entails some level of ecological exploitation, but unacceptable ecological exploitation can be defined as that which is unnecessary for meeting human needs or has an unnecessarily high environmental impact. The more unnecessary a good or service is, the more ecologically exploitative it is.

The paper goes on to examine several common types of profit-seeking strategies in terms of how they cut costs or increase revenue in order to generate profit. This results in a conceptual framework which clarifies that

profit-seeking strategies generate profit from four basic sources: efficiency gains, willing and informed contributions from social stakeholders, exploitation of social stakeholders, and exploitation of nature.

The fact that there are a bounded number of sources of benign profit and that there are limits to those sources, indicates that there are limits to profit. If profit were only generated from these limited benign sources, there would not be much profit.

In seeking financial gain, actors tend to gravitate to exploitative practices in order to cut costs and increase revenue. Indeed, much of the profit generated today comes from exploitation, which helps explain the sustainability crisis. In a profit-driven system, they can justify doing so, because they are expected to employ strategies that generate profit, due to the underlying notion of value and definition of success in capitalist societies. The gravitation to exploitative strategies creates unsustainable dynamics that pressure all actors to employ such strategies in order to stay in the market. This reveals some inherent contradictions and perils of a profit-driven economy. It also means that, for the sake of social-ecological sustainability, profit should not be treated as an end.

Strategies that derive profit from efficiency gains or from willing and informed contributions from stakeholders can be considered compatible with a sustainable economy, depending on the context. Thus, the paper adds clarity about the social and ecological sources and limits of profit, and gives guidance for how profit should be treated in a sustainable economy.

Key contributions:

- Conceptual framework of profit-seeking strategies and limited sources of profit, from a social-ecological sustainability perspective.
- Clarification of tradeoffs and synergies between profit and social-ecological sustainability; as well as when profit is derived from exploitation or not.
- Explanation of why and how business contributes to sustainability problems.
- Reframes many market failures as exploitation-based sources of profit.

Paper 2: Means and Ends

Hinton, J.B. and Cornell, S.E. "Profit as a Means or an End? An analysis of diverse approaches to sustainable business." Under review for *Journal of Cleaner Production*.

Increasingly, sustainable business scholars acknowledge that there are often tradeoffs between profitability, on the one hand, and social and ecological outcomes, on the other. This has led some to claim that a key

characteristic of a sustainable business is that it approaches profit as a means rather than an end, which aligns with post-growth economic principles. However, it is not immediately clear what “profit as a means rather than end” entails.

Building on Daly’s (1977) Ends-Means Continuum, this article proposes that two indicators can be used to judge whether a business sees profit as an end. The first indicator is whether or not the business has private financial rights (i.e., the legal right to distribute profit and assets to private owners). And the second is whether the business states profit or profitability as a voluntary objective.

The article uses these two indicators to assess whether various types of approaches to sustainable business allow for profit to be seen and pursued as an end, or not. In order to test these indicators, a sampling of theoretical approaches, as well as legal frameworks, and third-party certification schemes were evaluated. Most approaches analyzed do allow for profit to be seen as an end, both in terms of financial rights and voluntary objectives. This includes those approaches that explicitly purport to be compatible with post-growth, degrowth, and strong sustainability. This extends even to approaches that explicitly claim profit should be seen as a means rather than an end. Alternative legal frameworks offer the most consistency in precluding profit as an end in terms of both financial rights and voluntary objectives.

This analysis reveals a lack of clarity about the role of profit in approaches to sustainable business. The two indicators developed in the paper can provide a useful starting point for assessing whether or not an approach to sustainable business allows for the pursuit of profit as an end in itself.

Key contributions:

- Makes a clear conceptual distinction between “profit-as-end” and “profit-as-means”.
- Develops indicators for assessing whether a business approaches profit as an end versus as a means.
- Reveals inconsistency and incoherence in the way profit is treated in a variety of approaches to sustainable business.
- Clarifies that legal frameworks more consistently align voluntary objectives and financial rights, as compared to theoretical frameworks and third-party certification schemes.

Paper 3: Fit for Purpose

Hinton, J.B. 2020. "Fit for Purpose? Clarifying the critical role of profit for sustainability." *Journal of Political Ecology*, 27(1): 236- 262.

There is generally a lack of clarity about how profit intersects with issues of social and ecological sustainability on the aggregate scale. Currently, market economies around the world are largely made up of profit-seeking businesses, so it makes sense that the goal of private financial gain would have a significant influence on the dynamics of the aggregate economy. This paper seeks to clarify the causal mechanisms by which profit-seeking impacts social and ecological sustainability issues. Starting with the legal distinction between for-profit and not-for-profit forms of business, it develops ideal types of economies, based on this structural relationship-to-profit of business. In doing so, it explains how the associated economic dynamics affect social and ecological sustainability.

Relationship-to-profit is conceptualized as the nexus between legal purpose, ownership, and investment. While FP businesses can have the legal purpose of financial gain, social benefit, or both, NFP business structures only allow for the legal purpose of social benefit. While FP businesses can have private owners, NFPs have a type of ownership that is better characterized as collective, because there are no private financial rights. While FP businesses can have unlimited returns on equity-based investment, this is precluded by the non-distribution constraint of NFPs. Ideal types of economies are developed based on these institutional differences in relationship-to-profit.

The ideal types of economies illustrate that FP business structures play a critical role in driving consumerism, environmental degradation, inequality, market concentration, and political capture. This is because the pursuit of unlimited returns on investment to private owners in service of the legal purpose of financial gain drives unsustainable reinforcing feedback loops in the economy. It could be expected that adding social benefit purposes on to the financial gain purpose of FP structures might slow down these unsustainable dynamics, but would not fundamentally change the system structures that drive the dynamics. It could be expected, on the other hand, that an NFP type of economy would not systematically drive consumerism, ecological problems, inequality, market concentration, or political capture in the same way; due to the limitations on the pursuit and distribution of profit that are built into NFP business structures.

Based on this analysis, the paper claims that the dynamics of the global sustainability crises are, to a significant extent, due to the for-profit business structure (particularly the combination of the pursuit and private distribution of profit via financial rights). These dynamics would not necessarily exist in a not-for-profit economy. An NFP economy would allow for post-growth transformations in ways that the for-profit economy does not. The for-profit nature of the global economy plays an essential role in keeping societies

locked into a pattern of economic growth, as well as social and ecological sustainability crises.

Key contributions:

- Conceptualizes the difference between for-profit and not-for-profit forms of business as *relationship-to-profit*.
- Offers clarification of how for-profit business drives the growth of consumerism, environmental degradation, inequality, market concentration, and political capture.
- Explores the structure and dynamics of a not-for-profit type of economy, as an alternative to the for-profit type of economy.
- Gives greater clarity on dynamics that cross over between the micro-economy and macro-economy scales of analysis, based on key institutional elements.
- Offers archetypes of for-profit and not-for-profit market dynamics that can be used for discussion and analysis of specific contexts.

Paper 4: Dimensions of Business

Hinton, J.B. “The Five Dimensions of Post-Growth Business: Putting the Pieces Together.” Under second round of review for *Futures*.

Post-growth approaches to business are scattered and piecemeal. There is no overarching framework to connect the disparate points of focus and ground discussions about post-growth compatible business. This article develops such a framework.

The article begins by grouping aspects of business that have been identified in the literature as important for post-growth economies, according to their institutional character (i.e., informal or formal; legally-binding or not). The result is the Five Dimensions framework, in which the dimensions are: (1) relationship-to-profit, (2) incorporation structure, (3) governance structure, (4) strategy, and (5) size and geographical scope.

The framework orders the dimensions according to the degree of their institutional formality and changeability. The paper explores how the more formal dimensions guide and constrain other dimensions. For example, as a formal legally-binding structure, relationship-to-profit guides and constrains all of the other dimensions, while size and geographical scope (a common point of focus in the post-growth literature) is mostly guided and constrained by the other four dimensions. I posit that alignment among all five dimensions with post-growth aims is essential to ensuring that sustainable business efforts are post-growth compatible.

Key contributions:

- Offers a common language and coherent framework for discussing business.
- Contributes to a more robust understanding of post-growth compatible business.
- Contextualizes relationship-to-profit as one of several important attributes of a post-growth compatible firm.
- Clarifies common points of confusion, such as the difference between relationship-to-profit, incorporation structure, and governance.

Synthesis of Papers: Relationship-to-profit theory

In this chapter, I will provide a theoretical synthesis of the papers to describe how the relationship-to-profit theory answers each research question in four sections:

1. Social and ecological limits to profit and profit-seeking;
2. How business relates to profit;
3. Sustainability implications of relationship-to-profit; and
4. Relationship-to-profit and other dimensions of business.

Social and ecological limits to profit and profit-seeking

Research question 1: *What are the necessary and sufficient conditions for socially and ecologically sustainable profit?*

It is important to address what constitutes “value” in answering this research question, because profit is surplus value. The notion of economic value is socially-defined, so different kinds of economic systems can be organized according to different understandings of value. As an informal institution, the underlying notion of value upon which economic entities are founded guides their goals and strategies. The capitalist economic system is organized according to an exchange-based understanding of value, which defines value primarily in monetary terms and prioritizes money as an end. In such a system, economic actors are incentivized to prioritize money over the protection of social and ecological concerns because their success is defined in monetary terms. It follows that the protection of people and the biosphere is only likely to happen if it can somehow generate more money.

Also important to the discussion of value and profit, is the fact that there are social and ecological inputs to, and impacts of, the production of goods and services. When social stakeholders and nature are not compensated for their contributions to the economic process, they can be considered unpaid inputs and, as such, they are sources of profit. This often overlaps with exploitation, which happens when one actor (e.g., a business owner) benefits at the expense of another actor (e.g., the environment, workers, consumers,

other value chain actors, local communities, or society at large). In this way, a profit-driven economy incentivizes exploitation of social stakeholders and nature for profit. (*Paper 1*)

However, not all profit comes from exploitation. Informed and able social stakeholders can voluntarily contribute to the profit of a company (as routinely happens in NFP businesses). Profit can also come from a company using more efficient technology, processes, and techniques. (*Paper 1*)

By examining common types of profit-seeking strategies, one can identify where profit comes from in different cases and thus, assess whether it is sustainable or not. I have found that there are four basic sources of profit: efficiency gains; willing and informed contributions from social stakeholders; exploitation of social stakeholders; and exploitation of nature. When profit is not made through efficiency gains or willing and informed contributions from social stakeholders (as in the case of a charity shop), then it comes from exploitation (to some extent). This means that there are often, but not always, tradeoffs between profit and social-ecological sustainability.³⁰ (*Paper 1*)

By focusing on the link between strategy and the source(s) of profit, it becomes clear that it is exactly *because* some strategies are exploitative of people and planet that they are profitable (e.g., paying low wages, lobbying against taxes, and ignoring environmental regulations all lead directly to increased profit). In these cases, the surplus value is derived from the exploitation of social stakeholders and/or nature.³¹ The most exploitative strategies are often very lucrative. Furthermore, a non-exploitative (or minimally-exploitative) business is not likely to be as profitable as an exploitative one. This helps explain why unsustainable strategies are so widely used and are causing so much damage to communities and ecosystems worldwide. Indeed, much of the profit made in the global economy comes from exploitation.³² (*Paper 1*)

In a profit-driven economy based on exchange-value, companies can justify these exploitative strategies because they are generating value (i.e., money), which is assumed to be inherently good for society. Exploitative profit-seeking strategies create feedback dynamics, wherein individual businesses' strategies shape and are shaped by the aggregate market. The larger and more powerful a business is, the more its strategies tend to shape the market dynamics. The smaller a business is, the more its strategies tend to be shaped

³⁰ Defined as a state in which everyone's needs are met within the ecological limits of the planet and without compromising the ability of future generations to meet their needs.

³¹ Unpaid care work (so-called "womens' work") provides the underlying basis for all paid work, production, sales, and accumulation of wealth. Unpaid care workers can be exploited to a great degree in the FP economic system. (*Paper 1*)

³² It is estimated that, globally, about 150 billion USD of profit is generated each year from forced labor (ILO 2014) and 200 billion USD of profit is generated from tax havens (i.e., profit from not paying taxes) (Wier 2020). This is not to mention the profit made from the other exploitative strategies in Papers 1 and 3.

by market dynamics. Furthermore, the frantic competition for profit pushes managers to focus on short time horizons. (*Papers 1 and 3*)

For the purposes of thinking about post-growth transformations, an important insight that emerges from this analysis is that not all profit is exploitative. Profit can be derived from informed and willing economic actors, as well as from efficiency gains. Yet there are limits to these sources. Take for instance, the profit generated from efficiency gains by decreasing inventory. A company's inventory can only be decreased to the extent that it still allows for products to be sold and companies that already have zero inventory cannot derive more profit from further decreasing their inventory. Similarly, the strategies of buying in bulk, finding cheaper office space, and increasing resource productivity have limits. The laws of thermodynamics pose energetic limits to the efficiency that can be gained through technological advances. There are also limits to the amount of profit that informed actors are able and willing to contribute. When it comes to nature, meeting human needs will always require some level of environmental exploitation, but there are non-negotiable limits of biosphere functioning. Thus, there are social, technological, and ecological limits to profit. (*Paper 1*)

Given these limits, economic institutions should not pursue profit as an end. This, in turn, indicates that societies should not define value and success in terms of money. A use-based notion of value would be more sustainable, incentivizing actors to seek positive social and ecological outcomes (i.e., that which gives usefulness) as an end and as a measure of success. In such an economy, profit is seen as a means to socially-useful ends. Furthermore, sustainable economic actors should pay a great deal of attention to how economic activities are carried out in order to avoid exploitation. Lastly, they should be transparent about how and why they generate profit. (*Paper 1*)

How businesses relate to profit

Research question 2: *How do businesses relate to profit?*

Profit as a means or an end

How can we determine if profit is treated as a means or an end? If it becomes widely accepted that businesses should treat profit as a means rather than an end, then companies could easily start claiming they see profit only as a means without changing the way they operate. Co-optation and greenwashing are a constant risk when it comes to transformational efforts. Whether a business sees profit as a means or as an end is indicated in two main ways: financial rights, and voluntary objectives. (*Paper 2*)

Relationship-to-profit plays an important role here. Profit-as-a-means is cemented by the preclusion of private financial rights in NFP forms of business. For-profit business structures, on the other hand, allow for private

financial rights³³ and profit-seeking objectives, so in these types of business profit-as-a-means is reduced to voluntary objectives. This is problematic because, as an informal institution, voluntary objectives have a relatively low level of accountability and enforceability. Therefore, legal business types are important. (*Papers 2 and 4*)

Relationship-to-profit

This dissertation reframes the distinction between for-profit and not-for-profit forms of business as *relationship-to-profit* (which I will sometimes abbreviate as *RtP* in the following discussion for the sake of brevity). For the purposes of sustainability, the key difference between these forms is whether a business is legally obliged to use profit as a means to achieve social benefit or is allowed to pursue financial gain as an end in itself – quite literally the business’s relationship to profit as a means or an end. Relationship-to-profit encompasses important regulative institutional elements of business including: legal purpose, ownership, and investment. (*Paper 3*)

The term *relationship-to-profit* provides a more accurate and precise expression for the difference between for-profit and not-for-profit than the commonly-used terms “legal status”, “legal form”, “legal type”, or “organizational type”. For instance, the legal type of a business could refer to the difference between a shareholder corporation and a partnership. Legal status could refer to the difference between an incorporated and an unincorporated organization, or could even refer to whether a business has been acting illegally or not. These terms can lead to unnecessary confusion and do not draw attention to the key issue of how this regulative structure guides and constrains a business in relation to its financial flows (and thus, its social and ecological impacts). (*Paper 3*)

My introduction of the expression “the relationship-to-profit of business” is also a deliberate attempt to break away from the common misunderstanding that “not-for-profit” and “business” are mutually exclusive, as in different “organizational types” (i.e., not-for-profit organizations can imply that these are not businesses). I am intentionally introducing a new term in the hopes of highlighting the importance of the for-profit/not-for-profit distinction for *business*, as well as fostering new kinds of discussions around a wider range of economic possibilities.

Relationship-to-profit guides and constrains business behavior

The most important aspect of relationship-to-profit for sustainability is that it defines in legal terms what kind of purpose, ownership, and investment a

³³ While *Paper 3* focuses on purpose, investment, and ownership, I have more recently come to focus on financial rights rather than ownership due to the confusion that arises around the term “ownership”. This will be covered more in the Discussion.

company can have, and these regulative incentives and constraints shape business behavior and drive larger sustainability-related dynamics. In terms of rights and responsibilities, the FP structure allows for types of behavior that the NFP structure does not. These include: the right of the business to pursue private financial gain; the right to sell shares of financial ownership and take equity-based investment from private investors; the right to privately distribute profit; and the responsibility to deliver a return on investment. In contrast, the not-for-profit structure entails the responsibility to use all of the business's resources to deliver social benefit and often the right to tax exemptions. (*Paper 3*)

The complexity of relating to profit

The RtP problematization posits that profit and business, in themselves, are neither sustainable nor unsustainable. Rather it is largely how a business *relates* to profit that determines the sustainability of both the profit and the business. There are many aspects of how a business relates to profit that are important for sustainability on a larger scale. These include the anticipation, prioritization, pursuit, generation, reinvestment, and distribution of profit. For-profit and not-for-profit business structures differ in terms of how they relate to profit in all of these aspects, aside from the generation of profit.

The anticipation of profit refers to whether there is a desire and expectation for private financial gain. The prioritization refers to whether profit is seen as a means or an end. The pursuit of profit refers to the active use of strategies in order to derive surplus from the businesses' activities. The generation of profit refers to how profit is realized; either through exploitation, efficiency gains, or willing and informed contributions of other actors. (It is necessary to articulate the generation and pursuit of profit separately because not all profit-seeking strategies succeed. Sometimes profit is pursued but not generated, and even unsuccessful profit-seeking strategies can have significant social and environmental impacts). Reinvestment of profit can be done in order to derive more financial gain or in service of social or environmental benefit. Lastly, residual profit can be distributed to private owners to increase their financial standing, or it can be distributed in service of social benefit (e.g., profit distributed to a charity). Throughout this process and in every aspect of business activities, the business relates to profit through the formal institutional aspects of legal purpose, financial rights, and investment structures; as well as the informal institutional aspects of voluntary objectives, and strategies (*Figure 6*). (*Papers 1, 2, 3, and 4*)

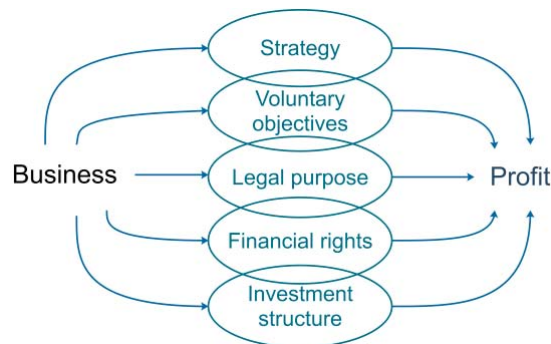


Figure 6: Business relates to profit through institutional elements

Although this sounds like an issue that should be confined to the fields of microeconomics and organizational studies, the relationship-to-profit dimension of firms is also a critical issue for post-growth macroeconomics and the study of global sustainability problems, because of its influence on larger system dynamics as outlined below.

Sustainability implications of relationship-to-profit

Research question 3: *How does relationship-to-profit affect social and ecological sustainability?*

Competition for profit in the for-profit market

Due to the differences between for-profit and not-for-profit forms of business, an economy composed mostly of FP businesses can be expected to have quite different dynamics compared to an economy composed mostly of NFP businesses. These dynamics are described below.

The financial gain purpose, private financial rights, and equity-based investment structures of for-profit forms of business incentivize unsustainable profit-seeking strategies, such as: advertising, planned obsolescence, wage suppression, union-busting, mergers and acquisitions, and influencing governmental policy. As a result, the for-profit economy is characterized by vicious cycles and race-to-the-bottom dynamics that play out over time. The widespread use of these strategies in the for-profit economy drive the growth of consumerism, environmental damage, inequality, market concentration, and political capture (*Figure 7*). Competition for profit in such a market creates paths of least resistance. Types of strategies that cut costs and increase revenue regardless of social and ecological consequences enable companies to better compete, while strategies that take social and ecological concerns seriously involve higher costs and are, thus, risky in the for-profit economy. Higher costs mean less profit and less perceived profitability leads to less

investment in an economy in which actors invest for financial gain. (*Papers 1 and 3*)

It is worth noting that most of the harmful profit-seeking strategies identified in *Paper 1* can be easily added into the analysis in *Paper 3*; such as tax avoidance, collusion, automation, forced labor, and disregarding environmental regulations. The conceptual model would simply have a larger number of variables driving the unsustainable dynamics.

In this type of economy, the desire for private financial gain is assumed to be the best source of motivation for economic decision-making and investment. As such, the desire for financial gain is both a core feature of the for-profit economy, as well as its key pathology. The desire for financial gain is never satisfied and, according to the for-profit logic, in order for profit-motivated investments to continue to be made, it never should be satisfied. Greater financial gain is assumed to always be better. The aim itself is stated in expansionary terms. In systems thinking terms, the for-profit type of economy is driven by a goal that has no balancing feedback – there is never enough money. In fact, this desire for financial gain is further reinforced by various factors, including high-cost lifestyles, social comparison with peers, inequality, and the ability to buy more equity in companies. (*Paper 3*)

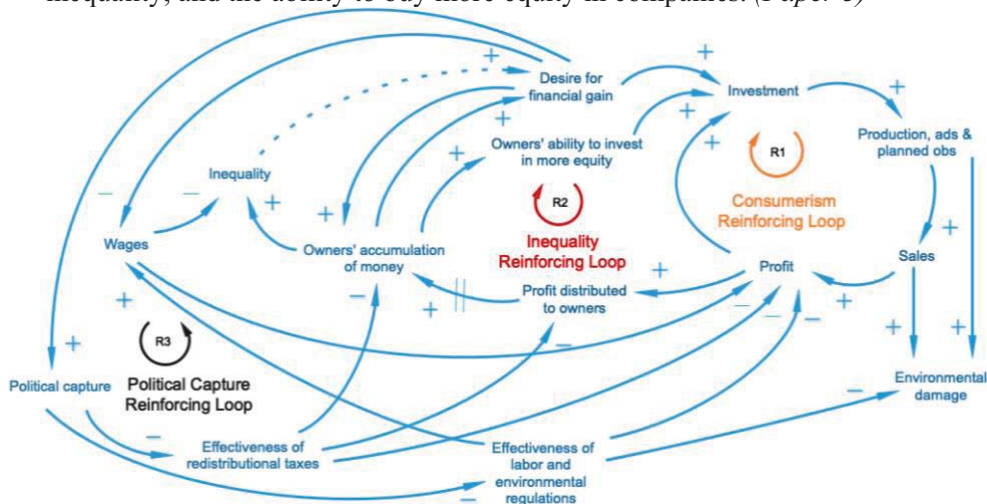


Figure 7: For-profit economy dynamics from Paper 3

Private financial rights and the associated desire for financial gain generate destructive dynamics in two main ways. First, the private distribution and accumulation of profit drives inequality and enables political capture, as described in the *Fit for Purpose* paper. Second, these aspects of FP business incentivize profit-seeking strategies that generate profit at the expense of social and environmental stakeholders (as outlined in the *Limits to Profit* paper), contributing to all of the dynamics identified in the *Fit for Purpose* paper. Importantly, for-profit firms in a for-profit social context can justify acting this way because they are legitimized by the larger cultural narratives

and social norms of capitalism. As more companies use exploitative strategies, it makes it harder for companies to compete using non-exploitative strategies. This creates paths of least resistance in the direction of exploitation. (*Papers 1 and 3*)

A market in which businesses seek to maximize profit drives dynamics that further encourage businesses to use harmful profit-seeking strategies or to risk being bought out, beaten out, or co-opted. If managers choose to use the most profitable strategies, (which are often the most exploitative), they will be adding to the pressure on other actors to do so, as well. If managers choose not to use exploitative strategies, their competitors who do use such strategies might benefit and they will be worse off. For instance, if they choose to pay higher wages or to only use ethically-sourced inputs, they will have to charge higher prices than competitors who do not, or cover the cost in some other way. (*Papers 1 and 3*)

Although competition plays an important role in these dynamics, a few types of exploitative profit-seeking strategies involve cooperation; such as colluding with other companies to fix prices, or cooperating to lobby against taxes in a certain industry. This implies that the *profit-seeking* aspect of the capitalist market is more problematic than the competitive aspect. The destructive dynamics of the for-profit economy depend on selective competition and cooperation between actors toward the goal of deriving financial gain. (*Papers 1 and 3*)

The RtP lens also helps to explain the rise of neoliberalism. The exploitative strategies described in Paper 1 and the political capture dynamics described in Paper 3 result in deregulation (due to the pressure from businesses on governments to open up the legal space for profit-seeking). These dynamics also lead to increased reliance on the for-profit market for solutions to societal issues, due to inadequate tax revenue for governments to deal with the growing societal problems created by the for-profit market. This lack of tax revenue is itself a result of the tax breaks for which industry has lobbied, as well as tax evasion by the wealthiest actors. Although it might seem foolish to expect the source of the problem to solve the problem, the informal institutions of the for-profit economy support and legitimize the neoliberal turn (e.g., the belief in the for-profit market's efficient allocation of resources and that it generates wealth for society at large). However, in the long-term, levels of trust in political and economic institutions can be expected to decrease, as a result of widespread exploitation, increasing inequality, worsening ecological problems, and a growing sense that big businesses and their owners can do whatever they want. (*Papers 1 and 3*)

A last point to mention here is that, due to profit-seeking, the for-profit type of economy has a tendency to become global (constantly looking for cheaper inputs and new markets) and the thinking of managers tends to be focused on short-term time horizons (due to the competition for profit). This is counter to the long-term thinking and relocalization of economic activity that are needed for sustainability. (*Papers 1 and 3*)

The drive for private financial gain is unsustainable

The desire for financial gain is the engine of the for-profit economy, as it drives investment and production, however private financial accumulation is fundamentally at odds with social benefit. In the FP system, private financial gain is optimized, but with exploitative strategies and success-to-the-successful dynamics³⁴, this means more and more wealth goes to the richest people at the expense of everyone else. The more revenue that is spent on wages, working conditions, and environmentally-friendly measures, the less profit there will be. The more private financial gain is accumulated, the more inequality there will be – this is especially true in a situation of finite resources and limited ecological capacity. The greater the extent to which political processes are influenced by a few businesses and their owners for private gain, the less social protection and benefits there are for everyone else, including the protection of nature. In this way, the pursuit of private financial gain is at odds with meeting everyone's needs within ecological limits. (*Papers 1 and 3*)

As such, economic growth, environmental degradation, and inequality are not separate problems that require separate solutions. In fact they *cannot* be resolved separately, because they have the same drivers in the for-profit economy and, as such, they come as a package deal. Without addressing this deeper structural pathology, the systemic transformations necessary for sustainability are unlikely to happen. (*Papers 1 and 3*)

Balancing the for-profit dynamics

To the extent to which economic activity is carried out by for-profit entities in an economy, these dynamics are likely to be present. In other words, the more for-profit an economy is, the more one would expect to see these dynamics. The more social benefit is incorporated into the economy (e.g., via hybrid business types, government programs, corporate social responsibility, not-for-profit organizations, and philanthropy) the slower these destructive dynamics will tend to play out (*Figure 8*). The effectiveness of these measures of course depends on how they are undertaken. And it is important to always keep tradeoffs in mind. More reinvestment in social benefit equates with less private distribution of profit, from a post-growth sustainability perspective. There is no easy way out of this conundrum for those who would seek to increase benefits for people and the planet, and simultaneously increase profits for investors. (*Papers 1 and 3*)

³⁴ These are archetypal system dynamics in which those who have the most, gain the most. In sociology, this is also known as the Matthew effect of accumulated advantage (Rigney 2010).

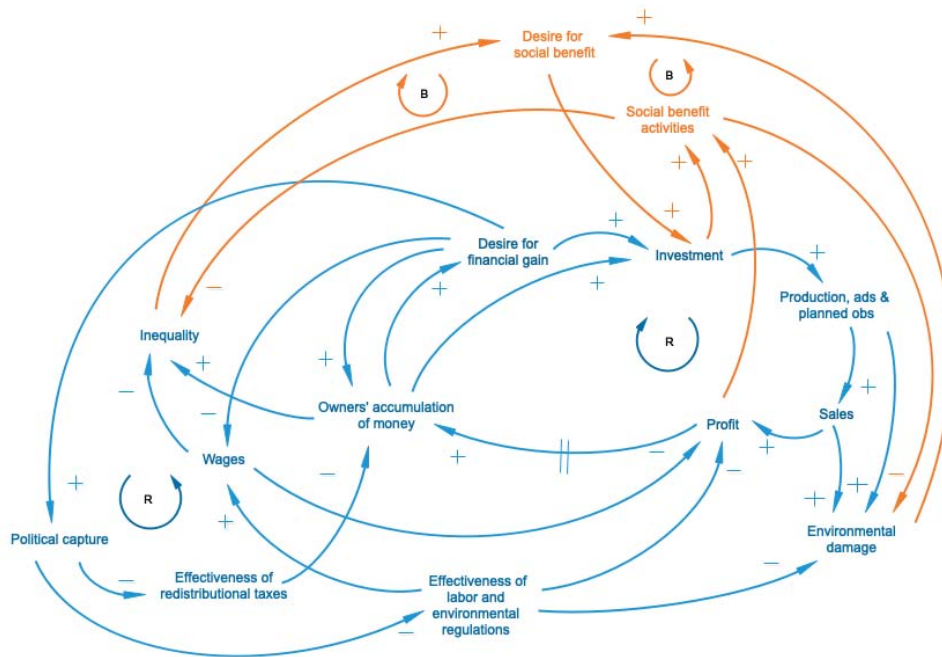


Figure 8: Hybrid economy dynamics from Paper 3

Redistributive taxes and regulations that protect social stakeholders and the environment can balance the negative effects of these dynamics to some extent. However, after a certain amount of wealth is accumulated by a handful of business owners, they tend to use their wealth and power to influence policy-making in ways that help them accumulate even more wealth, driven by the desire for financial gain, thus weakening the regulations and taxes that would provide balance to the system (and reduce their financial gain). It is worth emphasizing again that this is the rational thing for them to do, according to the neoclassical definition of “rationality”, which is widely accepted in capitalist societies. (*Paper 3*)

A not-for-profit economy would be more sustainable

A sustainable post-growth economy, then, is one in which there is no financial gain purpose or private financial rights in the legal structures of economic institutions. In a sustainable economy, there are limited or no financial returns on investment. Any profit and indeed any revenue in such a system is seen as a means to a socially-useful end, rather than an end itself. The surplus is reinvested in ways that result in circulation rather accumulation of wealth, ensuring that everyone’s needs are met within ecological limits. Likewise, any profit generated in a sustainable economy must be generated in non-exploitative ways. Surplus should also be used for ecological protection and regeneration. (*Papers 1 and 3*)

An economy of not-for-profit forms of business would be more balanced. Because investment is driven by the desire to meet social needs and solve problems, there is a feedback of information that signals whether there has been enough investment in a given activity (*Figure 9*). When a problem has been solved or a need has been met, it is not necessary to invest more in that challenge. For instance, when every child in a community has enough healthy food everyday, then there is no need to increase investment in solving the problem of child malnutrition in that community. Perhaps some level of steady investment is needed in order to maintain the satisfaction of nutritional needs, but there is nothing inherent in the NFP framework that would imply endlessly growing streams of investment, food production, and profit to improve childhood nutrition. In contrast to the insatiable desire for financial gain, people's material needs can be fulfilled and social issues can be resolved. On a planet of ecological limits, this type of feedback signaling that sufficient economic activity has taken place is essential. (*Paper 3*)

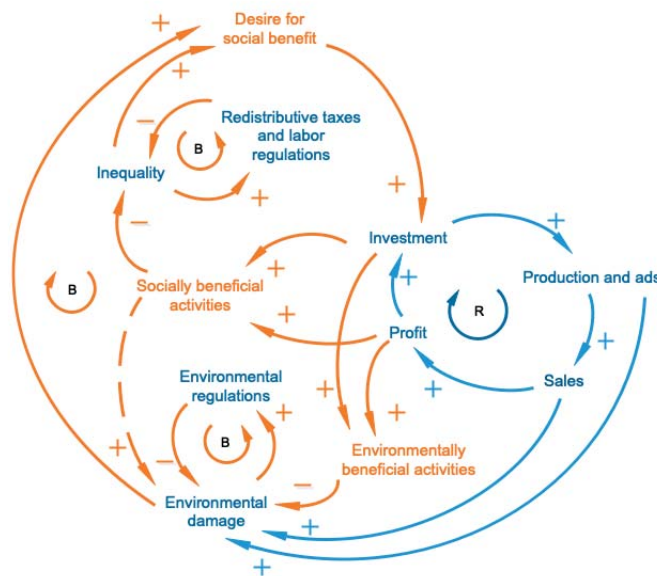


Figure 9: Not-for-profit economy dynamics in Paper 3

An NFP economy would entail higher levels of economic equality, due to the lack of private financial rights and private distribution of profit, as well as the lack of a built-in incentive to suppress wages. Such an economy would not systemically drive consumerism, economic growth, environmental degradation, market concentration, and political capture as the FP economy tends to do. This does not mean that these problems could not exist in an NFP economy, but rather that there is nothing about the institutional elements of the NFP structure that would make these dynamics likely to happen. (*Paper 3*)

Thus, an NFP economy allows for addressing social and ecological problems in ways that the FP economy does not. Sustainability science and post-growth economic approaches often focus on balancing the detrimental dynamics of the for-profit economy; such as internalizing externalities via taxes; increasing government regulation of market activity; offering a universal basic income; increased sharing of resources; ecological allowances for firms; and reducing the work week to name a few. It can be expected that such sustainability interventions would be easier to implement in an NFP economy as compared to an FP economy, as there are not the same kinds of inherent contradictions and conflicts of interest (e.g., companies motivated by private financial gain to keep information from consumers and disregard environmental regulations; or owners motivated by private financial gain to hide their money in tax havens; etcetera). When it comes to situations involving tradeoffs, profit is more likely to be prioritized over social and environmental concerns in an FP firm than in an NFP firm. (*Papers 1 and 3*)

It is worth reiterating that *Paper 3* is an analysis of how institutional structures at the micro level can help explain dynamics at the macro level, which in turn influence the behavior of micro-level actors. It is not a claim that all for-profit businesses behave unsustainably and all not-for-profit businesses behave sustainably. The focus is on institutional structures, not agents; on the rules of the game, not the players. However, the next research question addresses concerns about what else it might take to ensure that individual businesses are post-growth-compatible.

Relationship-to-profit and other dimensions of business

Research question 4: *How can relationship-to-profit be understood in the context of other approaches to sustainable business?*

Although relationship-to-profit is clearly important for the sustainability of an economy, there is much more to business. Attention must also be paid to four other dimensions of the firm identified in the post-growth literature: incorporation structure, governance, strategy, and size and scope. How do all of these dimensions fit together?

Relationship-to-profit is a foundational dimension of business, as it guides and constrains the other dimensions and is less changeable, due to its legally-binding nature (*Figure 10*). As a formal regulative institution, relationship-to-profit determines the range of ways in which businesses are allowed to (or must) prioritize, pursue, and use profit. (*Papers 3 and 4*)

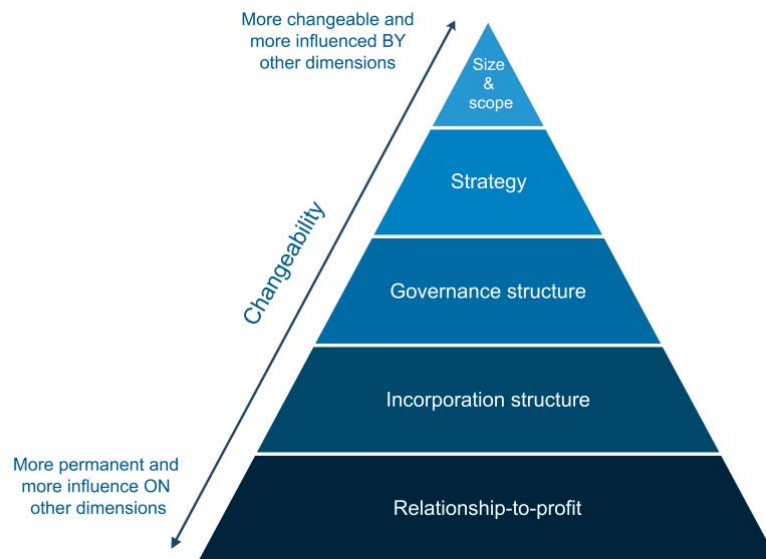


Figure 10: Five Dimensions Framework in Paper 4

In addition to guiding and constraining other dimensions of business, it is important to keep in mind the different aggregate dynamics that could be expected from FP versus NFP types of economies. In this way, the market dynamics driven by relationship-to-profit also guide and constrain the other four dimensions of business (perhaps especially the strategy, size and geographical scope). Any argument that for-profit types of business are compatible with post-growth futures must address these dynamics. Therefore, it is important to think about all five dimensions of firms when assessing their current post-growth compatibility and how they might need to change in order to become compatible with post-growth organizing. (*Papers 1, 3, and 4*)

Incorporation structures inherently have a legally-binding relationship-to-profit (e.g., shareholder corporations are for-profit, while charities are not-for-profit) and *Paper 2* shows that incorporation structures are consistent and coherent in how they approach profit. As such, it might seem that there is no reason to focus much on RtP because it is already embedded in incorporation structure. However, *Paper 4* outlines three good reasons to focus on RtP in sustainable economy and sustainable business analyses. First, there is a widespread lack of awareness of not-for-profit forms of business and a common assumption that business is naturally for-profit. This assumption might be keeping people from imagining and enacting more sustainable alternatives, so it is important to draw attention to the overlooked phenomenon of NFP business. Second, there is a lack of clarity about financial rights in some types of incorporation structure (e.g., the community interest company in the UK and social cooperatives in southern Europe). Lastly, different kinds of incorporation structures entail different ranges of acceptable business behavior – yet, *all* for-profit incorporation structures allow for surplus to be

pursued as an end, in terms of private financial rights and voluntary objectives. (*Papers 2 and 4*)

Relationship-to-profit theory clarifies that different types of business structures align with, or inhibit, sustainability-oriented objectives and actions. This does not imply that strategy and governance are unimportant, but rather that legal business structures guide and constrain what kinds of strategies and governance a business might use, due to the legal purpose and financial rights. Therefore, alignment with post-growth aims should be sought along all five dimensions of the firm. (*Paper 4*)

Overview of relationship-to-profit theory

In summary, the emphasis of relationship-to-profit theory is not on profit itself – but rather on *why*, *how*, and *for whom* profit is generated and used. This theory clarifies that profit is not inherently sustainable or unsustainable. Rather, it is whether profit is sought as a means or as an end that determines if exploitative strategies are incentivized or not. This distinction in approaches to profit is embodied in the legal purpose and financial rights of relationship-to-profit.

The RtP of business plays a key role in driving larger system dynamics, because it gives legal guidance and constraints for what kinds of ends and means are appropriate. For-profit forms of business allow for (and even incentivize) unsustainable behavior and market dynamics. Not-for-profit forms of business, on the other hand, are constrained in ways that better align with the aims of sustainability and, thus, better allow for sustainable outcomes. Importantly, RtP is a formal regulative institutional element of firms that is tightly connected to the social norms, logics, and belief systems of a society and of the firm itself. While the for-profit way of organizing business and markets aligns with the informal institutions of capitalism and the growth-based economy, the not-for-profit way of organizing business and the economy aligns better with the informal institutions of post-growth aims and practices (*Figure 11*).

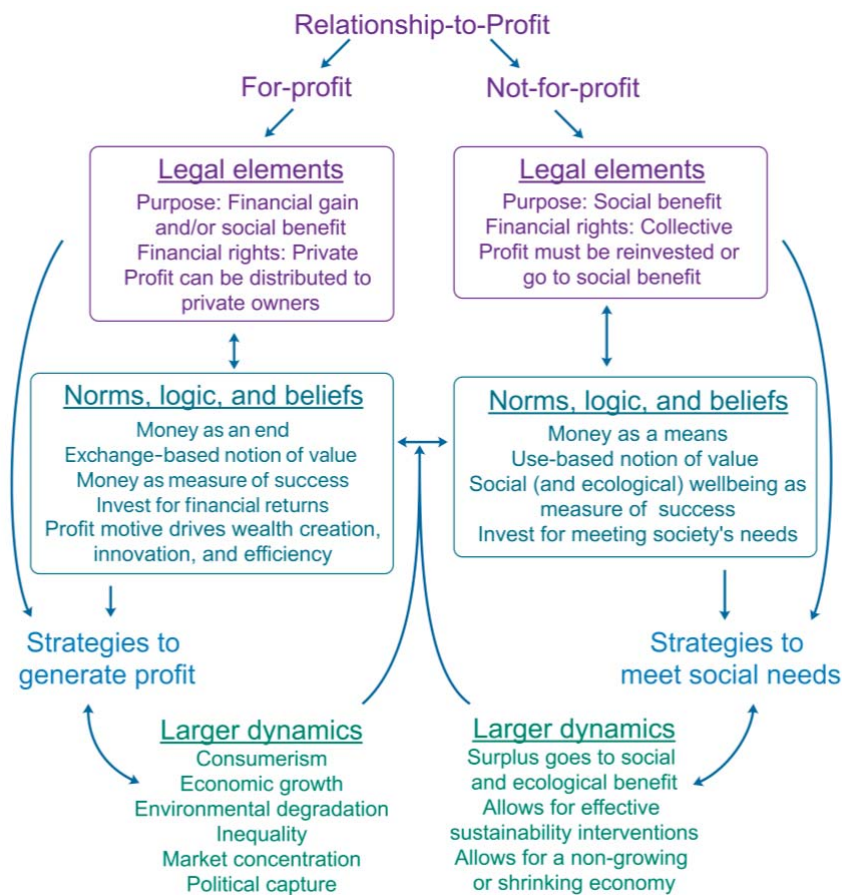


Figure 11: Relationship-to-Profit Theory

This theory offers a clearer identification and explanation of the drivers and causal mechanisms of economic growth and global sustainability problems. Social and ecological issues are commonly framed as “market failures” in economic analyses. However, RtP theory re-frames these issues as direct consequences of exploitative profit-seeking strategies used by companies that are set up with the purpose and right to pursue private financial gain for their owners in a for-profit market. This improved understanding of the problem allows for a better identification of potential interventions.

Businesses and the aggregate economy are usually treated as existing on two separate scales and the interactions between them are not granted much attention in the literature I reviewed here. This is problematic as it causes scholars to overlook the central role of business in driving sustainability problems. Relationship-to-profit theory posits that not only do all businesses have a relationship-to-profit, but entire industries, markets, and economies can also be characterized as predominately for-profit or not-for-profit.

One can take any business or industry as an example. If that business or industry is FP, there are incentives for it to drive:

- overconsumption via advertising and planned obsolescence;
- inequality via wage suppression and accumulation of private wealth by business owners;
- market concentration via growth, collusion with other successful players, and buying out less successful players; and
- political capture via lobbying and revolving doors.

All of these strategies have negative impacts on society and the environment. The more profit-driven a business, market, or society is (in both its formal and informal institutions), the more visibly and the faster one can expect to see these trends play out. Furthermore, businesses that try to act sustainably in such a market or industry will be swimming against the tide.

If private gain and social benefit are often at odds in a world of ecological limits, as I have explained above, then the key challenge for sustainability theorists, policy-makers, and practitioners is to align the formal and informal institutions, both within and outside of business, in ways that prioritize social benefit and environmental protection over private gain. There are regulative institutions that are internal aspects of business itself (i.e., the firm's legal structure) and there are regulative institutions that are external to business and are meant to guide and constrain businesses in the market (as shown in *Figure 4*).

In sustainability research and activism, there is often a focus on the use of taxes and regulations to correct or constrain the market (perhaps due to the assumption that business is naturally or necessarily for-profit). Here, I have made the case that it is not a coincidence that government regulations are failing to constrain unsustainable profit-seeking, but rather it is a logical outcome of the for-profit economic system. This has to do with the interplay and alignment between formal regulative institutions and informal normative and cultural-cognitive institutions. In a social context in which the dominant informal institutions measure success in pecuniary terms and ascribe to an exchange-based notion of value, then even when regulative institutions outside the firm try to prevent social and ecological exploitation, they are not effective. This is because the for-profit firm (as a regulative institutional dimension) aligns with the money-driven normative and cultural-cognitive institutions of capitalist society. This alignment gives profit-seeking firms legitimacy and a way to justify their profit-seeking strategies within such social contexts. They are doing what they are expected to do: make money. In contrast, the regulative institutions of the state that aim to constrain profit-seeking are at odds with both the financial gain purpose and the private financial rights embedded in the for-profit business structure, as well as the corresponding norms, logics, and beliefs of money-driven societies.

In this way, the formal and informal institutions of neoliberalism, with its drive for free markets and deregulation, are more internally consistent and aligned than those of a highly-regulated, highly-taxed for-profit market, driven by private financial gain. The push to use government regulations to constrain the profit-seeking impulses of profit-driven businesses and markets is riddled with institutional misalignments and contradictions. The more aligned the for-profit structure is with wider social expectations, the more legitimate profit-seeking will be. Laws and regulations to protect the environment, workers, and consumers will only be effective when they are not at odds with the institutional elements of business themselves. This means that one should not expect to be able to tax and regulate the economy in ways that lead to sustainability outcomes, without also moving away from the formal and informal institutions of the for-profit economy. Any claim that the for-profit economic system can be made sustainable must contend with the dynamics in Paper 3.

Even though moving away from for-profit business structures is probably necessary for sustainability, that does not mean that such a shift would be sufficient. The other post-growth principles mentioned in the Background chapter are also necessary for a sustainable economy: laws that ensure social and ecological justice; democratic and collaborative decision-making; wellbeing-based measures of prosperity rather than monetary or consumption-based measures; material sufficiency or minimalism; local production and consumption; sharing of resources; and circular production and consumption (e.g., reuse, repair, refurbish, and repurpose). Paper 4 explores some of the other necessary conditions specific to business. Taken together, these might be the necessary and sufficient conditions for post-growth sustainability.

The answers to my four research sub-questions, and the papers that contribute to those answers, are displayed in *Table 1*. These can also be seen as the key propositions of relationship-to-profit theory.

Table 1: Summary of answers to research questions

Research Question	Answer
What are the necessary and sufficient conditions for socially and ecologically sustainable profit?	<ul style="list-style-type: none"> • Profit should be seen as a means, rather than an end in itself. Economic institutions should be designed to pursue use-value (e.g., social and ecological value) rather than exchange-value (e.g., money). <i>(Paper 1)</i> • Profit should not be generated from social exploitation. Non-exploitative profit can only come from efficiency gains or willing and informed contributions from social stakeholders. <i>(Paper 1)</i> • Some ecological harm will inevitably be done in the production of goods and services, but it should be minimized to preserve biosphere functioning while still meeting everyone's basic needs. Business strategies that derive profit from unnecessary ecological exploitation should be avoided. <i>(Paper 1)</i> • Profit should be reinvested or distributed for social and ecological benefit, rather than private financial gain. <i>(Paper 3)</i>
How do businesses relate to profit?	<ul style="list-style-type: none"> • Businesses can relate to profit as a means or an end, which is indicated by voluntary objectives and financial rights. <i>(Paper 2)</i> • Businesses relate to profit through their: investment structure, financial rights, legal purpose, voluntary objectives, and strategy. Relationship-to-profit encompasses the first three aspects and guides and constrains the latter two. <i>(All papers)</i>

How does relationship-to-profit affect social and ecological sustainability?	<ul style="list-style-type: none"> • The desire for financial gain incentivizes business managers to use exploitative strategies and business owners to accumulate wealth. These aspects of the for-profit type of economy drive consumerism, economic growth, environmental damage, inequality, market concentration, and political capture. (<i>Paper 3</i>) • The social benefit purpose and collective financial rights of not-for-profit forms of business do not allow for accumulation of wealth by private business owners. The desire for social benefit would not be expected to systemically drive consumerism, economic growth, environmental damage, market concentration, and political capture as the for-profit type of economy does. Instead, the desire for social benefit would guide investment to social and environmental purposes. (<i>Paper 3</i>)
How can relationship-to-profit be understood in the context of other approaches to sustainable business?	<ul style="list-style-type: none"> • Relationship-to-profit and incorporation structure give legal guidance and constraints as to whether a business can pursue profit as an end. (<i>Paper 2 and 4</i>) • Relationship-to-profit guides and constrains other aspects of business that have been identified as important in the sustainable business literature: incorporation structure, governance, strategy (including voluntary objectives), size and geographical scope. (<i>Paper 4</i>) • Attention should be paid to all five of these dimensions of business in post-growth transformations. (<i>Paper 4</i>)

There are five more dynamics that are not explained in the papers, but are still very important for RtP theory:

1) Painful balancing loops in the long-term

At some point environmental damage and inequality become bad enough to disrupt social and economic systems. In the analysis of the for-profit ideal type economy (*Paper 3*), one can imagine a causal link back from the environmental damage variable to the production variable, with a delay. This is because environmental issues like climate change, biodiversity loss, pollution, and resource shortages will decrease the quantity and quality of the goods and services that economic activities can produce (Rockström et al. 2009). Research in the fields of peace and conflict, as well as military and security studies, highlights the ways in which shrinking resources and

worsening ecological conditions might also lead to increasing levels of conflict (Schellens 2020). Likewise, at some point, ecological problems, inequality, and political capture can be expected to destabilize social and political systems (Suša 2019).

Therefore, inequality and environmental damage can be expected to balance the system in the long-term, but in very disruptive ways that have serious consequences for human and ecological wellbeing (as explored in the Limits to Growth report (Meadows et al. 1972)). These disruptions are a large part of the motivation for promoting economic transformations as soon as possible.

2) Workers in a for-profit economy are in a lose-lose situation

Most workers in the FP type of economy are in a lose-lose situation. The more they work for for-profit firms³⁵, the more they contribute to the dynamics that drive environmental damage, inequality, market concentration, and political capture – which harms themselves in the long-term. Yet, if they do not work, they risk ending up in poverty and subject to even worse exploitation. Consumers are caught in a similar dilemma. The more they consume, the more they contribute to these destructive dynamics. Yet, the less they consume, the less stable the economy will be. This is the case because with less consumption, fewer investments are made and less work is needed. This of course, leads to fewer employment opportunities and even layoffs or wage cuts. If they rely on work for an income, then consumers might be shooting themselves in the foot in the long-term, by consuming less.

3) Charity-dependent nonprofits in a for-profit economy

The financial dependence of the traditional not-for-profit sector on big for-profit companies could feed into the reinforcing dynamics of market concentration and inequality in the for-profit economy. This is the case when large for-profit businesses fund nonprofit activities in order to better market themselves and to make sure their money goes to activities that directly or indirectly benefit themselves (Bapuji et al. 2018).³⁶

4) Financialization

Financialization is not directly discussed in this thesis, but we did discuss financialization as a natural tendency of the for-profit economy in Hinton and Maclurcan (2016, 114–16). Financialization can be framed as a profit-seeking strategy, from the RtP perspective presented in this thesis.

³⁵ Particularly those companies that distribute profit to owners (or intend to do so) and those that explicitly pursue profit as an objective (*Paper 2*).

³⁶ This dependence of the traditional nonprofit sector on the for-profit economy is referred to as the Nonprofit Enabler in Hinton and Maclurcan (2016, 121–25).

5) *Land and real estate*

Lastly, a significant amount of wealth is accumulated through private financial rights pertaining to the ownership of land and real estate (Harvey 2015). Relationship-to-profit theory does not deal directly with issues of land ownership, however, much of the wealth accumulated from land ownership is done via for-profit business frameworks (for instance, real estate development firms and holding companies). Therefore, the emphasis on the legal purpose and financial rights of RtP is very relevant for understanding the (un)sustainable dynamics of land management and ownership. Furthermore, the NFP World model describes the importance of NFP land ownership frameworks, such as community land trusts, to avert the private accumulation of wealth from land ownership (Hinton and Maclurcan 2016, 190–92).

Boundaries and limitations of the relationship-to-profit theory

As with any theory, there are limits to the generalizability and applicability of relationship-to-profit theory. Yet, given the fact that the global economy is largely for-profit, these limits allow for a broad range of generalizability and applicability.

The RtP theory is useful for understanding sustainability problems that have an economic component, especially for identifying economic drivers of social and ecological sustainability issues. It will not be useful for analyses that have no economic component. However, it can encourage discussions about whether or not there is an economic component to a sustainability issue, because it brings the issues of how business, profit, and financial rights impact social and ecological systems to the surface. For instance, the issue of green architecture might not, at first glance, seem to have a specifically economic dimension. However, the RtP theory encourages the discussion of the ways in which architect firms, banks, and public agencies involved in green architecture relate to profit - and whether those relationships to profit might be helpful or problematic for sustainability.

This theory is only directly relevant to societies that have a predominantly for-profit economy *or* are being impacted by the global for-profit economy. This theory would not be useful for analyzing remote societies that do not use legal frameworks for conducting business *and* that are not impacted by the for-profit economy. However, it is useful for understanding sustainability issues in societies that are impacted by the dynamics of the global for-profit economy, even if those societies themselves do not use legal vehicles for conducting business.

A note on relationship-to-profit as a legal framework

The RtP theory relies to a great degree on the power of legal frameworks in guiding and constraining actors' behavior and the economic system's dynamics. If there is no rule of law to enforce the rights and responsibilities of legal frameworks, this theory might lose some of its explanatory power. However, the importance of business purpose and entitlements remains, even if not enforced by a legal authority. An economy wherein the production and distribution of goods and services is based on the purpose of private financial gain and systemically delivers the surplus of those economic activities to private individuals would tend to have the same problematic dynamics of the FP economy, whether or not legal frameworks are used. An informal economy can be organized in a for-profit way, as many informal markets are. Likewise, an informal economy in which the production and distribution of goods and services are oriented towards delivering social benefit and all surplus is channeled into addressing social challenges (as in many peasant and Indigenous economies) would tend to have the same kinds of dynamics as an economy composed predominantly of NFP businesses.

There is also the issue of how "social benefit" is defined and by whom. In terms of NFP structures, it is the state that defines social benefit. However, I do not assume that all states can and should be trusted to define social benefit in ways that align with society's needs and challenges, including sustainability challenges. Indeed, some of the earliest corporate charters in the 16th and 17th centuries required that companies have a public benefit purpose, but that purpose could mean bringing back riches from exploited colonies for their investors, who were political and economic elites in Europe (Micklethwait and Wooldridge 2003). (Modern definitions of public benefit purpose tend to be much more clearly limited to activities that serve the wider public).

In order for the NFP legal framework to offer the potential of a sustainable alternative to the FP framework, the "social benefit" mission of NFPs must be defined using a democratic and transparent process. Existing definitions of "social benefit" should also be adaptable in response to feedback from the public, in order to stay aligned with society's needs and challenges.

The extent to which any regulative institution is effective and useful depends on the consistent enforcement of the institution. The rights and responsibilities of not-for-profit businesses are enforced through legal authorities, tax agencies, and boards. Beneficiaries, customers, and the general public also play an important role in holding NFP businesses and their employees and managers accountable. If any or all of these actors are not playing their role in making sure that NFP businesses stay within their legal rights and fulfill their legal responsibilities, there is a risk of the NFP framework not being as effective as it would otherwise be. In the worst case, NFP businesses could be widely used in corrupt or illegal ways. This might diminish the social trust in the NFP framework that is an essential ingredient in the vision of the NFP World model.

However, without a corresponding shift in values and social norms, a transformation away from the FP economy is not likely or even possible in the first place. It would not make sense to expend the energy necessary to transform the regulative dimensions of the economy from FP to NFP forms of business, but allow NFP businesses to act like for-profits. One would assume that there would be a high level of commitment across society to maintaining the integrity of the not-for-profit framework in alignment with deeper sustainability-driven norms, logics, and belief systems.

It is worth noting that doubts about the feasibility of NFP economic transformations do not represent a valid challenge to relationship-to-profit theory. Such transformations are a matter of societal and political will. There were many who thought that women's suffrage, the abolition of slavery, the end of Apartheid in South Africa, and Indian independence from the British Empire were politically impossible as well. History has shown that when social norms have shifted and there is political will, a transformation path is forged.

Applying relationship-to-profit theory

In practical research terms, RtP theory can be used as a basis for collecting and analyzing data in sustainability-related scholarship. One can formulate research questions in a way that takes a critical approach to the links between sustainability and for-profit institutional elements (i.e., private financial rights, financial gain goals, private equity in companies, profit-seeking, and the private distribution of profit). In order to apply RtP theory, throughout the research process from design to analysis, it is important to keep in mind that businesses and markets cannot be treated as separate or isolated from each other. Markets have a dominant RtP, based on the types of business that constitute the market. Furthermore, businesses drive market dynamics and are, in turn, impacted by those dynamics.

On the level of business, one can conduct comparative case studies in which data is collected about the extent to which different businesses are sustainable, in terms of their five dimensions (relationship-to-profit, incorporation structure, governance, strategy, size and scope). For example, a few different grocery stores could be compared using the five dimensions framework and the RtP theory of how those dimensions drive larger dynamics. Of course, it is important to keep in mind that there are for-profit businesses that act like not-for-profits (i.e., they reinvest all of their profit into social benefit missions), so it is good to investigate how a business uses its profit (which relates to the strategy dimension) and if it has a social benefit mission written into its charter (relating to its incorporation structure). It is also important to know what the business's investment structure is, in order to understand what kinds of pressure to generate a profit there may be on the company – this again, relates to the incorporation structure dimension.

This theory could also be used to understand the larger-scale dynamics of a supply chain, an industry, a market, a national economy, or the global economy. For instance, in the medical supplies sector, using the RtP theory one would anticipate that for-profit medical supply companies will use profit-seeking strategies (such as planned obsolescence, keeping wages low for unskilled workers, inflating prices, and lobbying for subsidies) in order to enrich their owners. Some of the impacts of these strategies that would play out over time include:

- increased healthcare costs, which harms consumers and society;
- increased material use for producing medical equipment (some of which requires rare earth minerals in conflict zones), which harms the environment and local communities who must deal with the environmental problems;
- increased inequality;
- increased market concentration;
- deregulation and tax cuts for the sector; and/or
- the sector moving offshore to locations with lower wages and fewer legal restrictions on business activities.

Although societies need medical equipment, it can likely be produced, distributed, and disposed of in more sustainable ways via not-for-profit businesses and organizations. If the drive for private gain and private financial rights are removed from this system and replaced with a focus on social benefit, there would be different dynamics. Therefore, it would be worth comparing medical supply markets that have a higher percentage of FP companies to those that have a higher percentage of NFP companies.

Important to note here is that medical innovation is often done by public universities and other not-for-profit organizations (Fox 2017), so removing the profit motive will not necessarily lead to less innovation (as the capitalist ideology would retort). Indeed, some experts believe that large for-profit pharmaceutical firms may be hindering proper innovation because the increasing financial dependence of medical researchers on big pharma makes them biased (e.g., Bracken n.d.).

The same kind of analysis can be done on any sector, such as the energy, food, education, and manufacturing sectors. In fact, it would be useful to conduct such analyses in every sector of the economy (taking into consideration cross-scalar interactions and feedback loops). Even in markets where there are few NFPs operating, it is worth exploring how the profit motive and the private distribution of profit might be driving the trends covered in Paper 3, in order to test this theory.

The RtP theory can also be used to analyze and understand why more effective sustainability interventions have not been adopted or are not fully implemented. For instance, many sustainable agriculture experts have advocated for small-scale, agroecology approaches to food production

(Piemontese 2020). The RtP theory sheds light on why, globally, the agriculture sector seems to be moving in the opposite direction. Agroecology is based on using no or few external inputs (such as fertilizer or pesticides) (Piemontese 2020). This would mean fewer sales and less profit for the companies who produce those inputs. Agro-industry companies such as Monsanto (now owned by Bayer through a mega-merger) spend large sums of money lobbying against policies that would support such a transition, in order to protect their profitability (Holland and Sourice 2016) – and that is the rational thing for them to do, according to the capitalist definition of “rationality”.

One could also use this theory to compare national economies in terms of the percentage of NFP businesses in the market (keeping in mind that they must generate 50% or more of their revenue through the sale of goods or services to be considered a business). Relationship-to-profit theory tells us to expect that the more for-profit an economy is (in terms of the mix of business types in the market) the more evident the trends of consumerism, environmental harm, inequality, market concentration, and political capture will tend to be. This might be the case if one compares the United States to Nordic countries, for instance. Furthermore, one could also break the national comparison down to sectors, probing the social and ecological outcomes of a largely FP healthcare system in one country to a healthcare system that has a larger mix of NFPs (including state-owned enterprises) in another country.

A brief exploration of Sweden’s national economy can demonstrate the applicability and usefulness of RtP theory. Despite its reputation as having a more socialist flavor of capitalism, Sweden has one of the fastest increasing rates of inequality in the world (Therborn 2020). Might this be related to the dynamics of the for-profit economy? The evidence seems to support the RtP theory: that Sweden’s rising inequality is due to wealthy businesses and owners lobbying against taxes; deregulation; increasing for-profitization of the healthcare and education systems; an employer’s movement against trade unions and public services; stagnating wages; hoarding of wealth by millionaires and billionaires; and financialization (Therborn 2020).

The scope of RtP theory’s applicability and its usefulness in explaining (un)sustainable dynamics of the economy are far-reaching. And I encourage other researchers and practitioners to apply this theory in the interest of testing its strengths and exposing its weaknesses. This is an essential part of how science and society progress.

Discussion: Insights for sustainability research and practice

In this chapter, I identify the main insights of the relationship-to-profit theory that can contribute to ongoing discussions in the field of sustainability research and practice. This includes: the centrality of financial rights; the importance of using clear concepts and terminology; the importance of having clear limiting principles that allow for diversity to flourish; and potential leverage points for sustainability transformations. I then identify some important questions for further research and offer some concluding remarks about the implications of this thesis for sustainability in practice.

Beyond “ownership”: The centrality of financial rights and the purpose they serve

Business ownership is a murky topic. Ownership is often described as a bundle of rights (Kelly 2012). In many definitions and in common usage, the concept of “ownership” mixes two things together: control rights and financial rights. Business ownership can be defined by control rights, financial rights, or both; and various theorists have approached the issue differently (Walker 2017). This thesis makes the case that it is important to explicitly distinguish between these types of rights when it comes to sustainability.

Through this research, I have come to the realization that financial rights should be a *central* part of any discussion of the economy and sustainability. Like all legal rights, they serve a purpose. If financial rights are assigned to a private business owner, they entitle that person to a share of the company’s financial surplus and assets. Thus, it can be said that those financial rights serve to enrich that owner. If the financial rights are assigned instead to a charity that helps children with learning disabilities, those financial rights serve the purpose of helping satisfy those children’s learning needs. In the latter case, the financial surplus is seen by the business and the charity as a means of achieving those outcomes, whereas in the case of the private owner’s financial rights, the surplus is seen as an end itself – a deliverable. What the business owner decides to do with the money is totally beyond the scope of the business’s concerns.

It is through private financial rights (and the financial gain purpose that they serve) that private wealth is relentlessly pursued and accumulated in the for-profit economy, resulting in social and ecological sustainability crises. Therefore, any discussions of sustainability transformations must address the various ways in which financial rights can be assigned and configured, and what the social and ecological implications of those configurations are.

I was surprised to discover how inconsistently the concept of business ownership is used in all of the bodies of literature I reviewed for this thesis, given how central it is to the economy, and as a defining feature of capitalism. When the term “owner” or “ownership” is used, authors do not often explicitly specify whether they are defining the term as control rights, financial rights, or both. As a result, control rights and financial rights are often conflated. I found this to be the case in both the grey literature (e.g., Solidarity Economy Map and Directory 2020) and the academic literature (e.g., Johanisova, Crabtree, and Fraňková 2013).

Because the term “ownership” is typically used to refer to both financial rights and control rights, NFP organizations have sometimes been labeled as being privately-owned (e.g., Alchian and Demsetz 1972, 795; Johanisova, Crabtree, and Fraňková 2013, 13) or even as having no owners (Borzaga and Tortia 2007). When authors have referred to NFP businesses as “privately-owned”, they are implicitly defining ownership as *control rights*. The “no ownership” label defines ownership as *private financial rights*. The “collective ownership” label for NFP, which I use in Paper 3, defines ownership in terms of *financial rights* (i.e. the financial rights belong to a collective entity, so the ownership is collective).

Adding to the confusion, “collective ownership” of business is often taken to mean either state ownership (i.e., owned by a government authority, at the national, state, or municipality level) or worker ownership (which typically entails private financial rights). There is very little mention of non-state collective ownership - legal entities separate from the state that have no private financial rights. The latter requires a rethinking of mainstream notions of business ownership (i.e., public and private ownership), which are separated along the lines of state and market in ways that assume that non-state market actors are always privately-owned (e.g., Demsetz 2002).

Given the centrality of financial rights in sustainability issues, but widespread lack of awareness and understanding of this type of rights in business, it is important to demystify this term for transdisciplinary discussions. This is especially important in the post-growth context, as democratic governance is a core principle, which is all about *control rights*. Thus, the preclusion of private financial rights and the ability to have democratic control rights are two key aspects of post-growth-compatible business. The clear conceptualization of RtP in this thesis is helpful in making this difference explicit and can inform a more accurate and comprehensive discussion of business ownership.

Part of the reasoning behind the Five Dimensions framework presented in Paper 4, was to help keep this distinction between financial rights and control rights clear. In the framework, financial rights are found in the relationship-to-profit and incorporation structure dimensions, while control rights are found in the governance dimension. In for-profit firms, the same people can have financial rights and control rights, such as owner-managers in a small business, shareholders with voting rights in a corporation, or worker-owners in a worker cooperative. But the framework clearly distinguishes between financial and control rights, even when there is not a distinction between the people who have those different rights. For example, in a worker-owned cooperative, the workers usually have control rights and financial rights (but there is no reason why they *must* have the latter, as I will discuss below in the section on Revisiting cooperatives). Due to the lack of private financial rights, NFP structures give managers control rights but not financial rights.

Another point that Paper 4 clarifies is that, in for-profit businesses, financial rights represent the ultimate right to control a firm (with the exception of non-voting shares), because financial owners are able to hire and fire managers (those who have control rights but no financial rights) (Alchian and Demsetz 1972). Furthermore, those who possess the financial rights of a company can sell or shut down the company, which obviously has major implications for the management of the firm.

The bottom line is that sustainability discussions need to include the topic of financial rights.

Clearer concepts and terminology

As an institutional theorist, I am acutely aware of the importance of framing and naming concepts. The language we use and the stories we tell about the economy are cultural-cognitive institutional elements that have the power to shape beliefs, social norms, and peoples' actions. The point of sustainability research is to inform change for a more sustainable and just world. Therefore, the accessibility of the terminology and ideas in the field of sustainability is very important. People from different disciplines and different spheres of society should be able to use our ideas and terms in the real world.

Some of the ideas that I have found quite useful are coded in heavy jargon (e.g., Marxian theories of value and market dynamics). As Pirgmaier (2021, 5) points out, the Marxian language is difficult for non-Marxian scholars, let alone interdisciplinary sustainability researchers to follow. Such approaches often grant agency to abstract concepts like capital, capitalism, and even value. They may have reasons for doing this that I have yet to find in the literature, but it might also be an indication of a lack of clarity about what is actually driving the system's dynamics. Some examples of this include:

“The genius of capitalism’s cheap nature strategy was to represent time as linear, space as flat, and nature as external.” (Moore 2014, 286)

“Through its alliance with state-machineries, imperialist power, and bourgeois knowledge, capital has proven adept at overcoming real, or impending, ‘bottlenecks’ to renewed accumulation.” (Moore 2014, 289)

“In this sense, capital is ‘value that aspires to valorise itself’, the core economic engine of capitalism.” (Andreucci and McDonough 2015, 60)

In the first quote, how does capitalism have a strategy? In the second quote, how can capital be adept at doing something? In the third quote, how does value have aspirations?

Aside from not offering a clear explanation of what is wrong with the current system and, thus, what must change, this language keeps non-Marxists from putting these insights to use. Inaccessible Marxian terminology can, at least in part, explain why these ideas have not become more mainstream in discussions about sustainability. It is a pity, because eco-Marxian analyses offer a lot of important insights about the state of the world in the 21st century that could help the sustainability movement (and have helped me develop the RtP theory).

Pirgmaier (2021) shows that it is not impossible to explain, for instance, a Marxian theory of value to an interdisciplinary readership in non-jargon terms (or at least minimal jargon that is clearly explained). (Yet, even Pirgmaier writes about *abstract socially necessary labour time*). As an exception to the rule, Magdoff and Foster (2011) did an excellent job of making the basic eco-Marxian analysis accessible to a wide readership.

Yet, it is not only the overly-heavy jargon that is problematic. There is also a widespread issue with using under-specific terms. For instance, the frequent post-growth references to “the market” and “market logic” (e.g., Schmid 2018) imply that markets are a monolith, even when some central post-growth scholars have gone to great pains to show that they are diverse (e.g., Gibson-Graham, Cameron, and Healy 2013). In the business literature, the term “value” is used in so many different ways that, without defining it, it becomes almost meaningless. As described above, the same is true for “ownership”.

Thus, there is a need to strike the right balance between simplifying the complexity of phenomena and being precise enough to separate out what is problematic from what is not. I would argue that the terminology presented and used in this thesis offers more accessible, precise, and concrete language for central aspects of the economy. I have intentionally tried to use and create terms that demystify complex phenomena and ideas for a transdisciplinary readership. For instance, terms like “capitalism” and “capital accumulation” are often used in vague and implicit ways in post-growth literature (Pirgmaier

and Steinberger 2019). The term “for-profit economy” demystifies capitalism (Hinton and Maclurcan 2017). Likewise, the term “for-profit business” demystifies “capitalist firm”. Tracking flows of money in terms of investment, revenue, and profit helps clarify how and where “capital accumulates”. Financial rights and the financial gain purpose of for-profit business helps demystify why capitalist firms and capitalists seek and accumulate capital. Identifying business owners as those who hold financial rights in a business demystifies which actors are capitalists. Identifying the for-profit business structure as problematic, keeps the focus on specific system structures rather than the capitalists or an abstract “capital”. Identifying a limited number of sources of profit by means of examining common profit-seeking strategies used by firms on the ground, helps demystify value. The clarity and concreteness of these concepts and terms allows for more effective discussions, analyses, and problem-solving.

Importantly, all of the above insights can help post-growth discussions go beyond vague and inaccurate generalizations about “the market”, “business”, “commerce”, and “profit”; generalizations which have been unnecessarily holding back understandings of possibilities for post-growth organizing. For instance, the destructive aspect of capitalism is not necessarily the market, nor competition, nor commerce, nor business, nor profit, but rather the *relationship to profit* that capitalist societies, markets, and businesses have; the competition *for private profit*. It is then the *for-profit* nature of business and the market in capitalism that is problematic.

On the face of it, this issue of terminology might seem trivial, but it creates the basis for paradigm shifts. If the key limiting principle is that of the market economy or commerce, then the state-planned economy quickly becomes one of the few options left for organizing the economy. If the market were really the main problematic aspect of capitalism, then the options for sustainable economic provisioning might indeed be this limited. However, RtP theory argues that the most problematic aspect of capitalism for sustainability is not the market economy, but the for-profit nature of most businesses and markets. This different identification of the problem logically leads to different limiting principles, and thus a different range of possibilities for organizing sustainable economic systems.

Diversity, pluralism, and clear limiting principles

In discussions at two different Degrowth conferences, I encountered concerns about the relationship-to-profit theory when it comes to diversity and pluralism. Diversity and pluralism are core values of most post-growth scholars and activists (see for example the Pluriverse and Diverse Economies research), including myself. As such, it is important to engage fully with these concerns.

This requires a larger discussion of how to draw limits in a way that precludes harmful dynamics and still allows for diversity and plurality. It must be kept in mind that constraining or precluding harmful activities and structures is very different from constraining human rights and capabilities. When there are limits (such as ecological limits or moral limits to exploitation), constraint is an appropriate response. As such, constraints (and the lack thereof) play a central role in all sustainability problems. I would argue that drawing lines in the sand about what is socially and ecologically sustainable (and what is not) is the main issue with which humanity is grappling in the 21st century.

Going back to the concerns I received at the Degrowth conferences, there is a misunderstanding that because certain initiatives in the post-growth movement are using for-profit structures (such as worker cooperatives), this theory dismisses, discredits, or alienates these initiatives. My response is that such post-growth initiatives are more aligned with the social benefit orientation of NFP structures than the financial gain purpose of FP structures. In most instances, these initiatives have chosen to use an FP structure due to a lack of awareness of that they could use NFP structures or due to specific challenges in the local context (as outlined in Paper 4). The RtP theory does not invalidate or dismiss benevolent for-profit businesses, but rather offers guidance for the kinds of larger shifts that must happen in society and the economy in order to escape the systemic lock-ins of an unsustainable system. For instance, if a local context does not allow one to easily set up an NFP business, but we know that FP business entails problematic lock-ins, then the local context needs to change. Shifting our limiting principles in response to a dysfunctional context is not going to help the post-growth movement achieve the kind of change required for sustainability. Again, the focus is on system structures, rather than individual businesses. As I will discuss below, the existence of well-behaved for-profit businesses does not provide a good reason for maintaining a for-profit economy, given its systemic tendencies. Likewise, the existence of a few bad NFP businesses does not provide a good reason for dismissing the idea of shifting to an NFP economy.

Problem identification and limiting principles

Ideally, the limiting principles we draw, as researchers and practitioners, should relate directly to the source(s) of the problem we have identified. Maintaining a for-profit economy allows employees at worker-owned cooperatives to have private financial rights, but it also allows for other for-profit incorporation types. If one wants to keep for-profit cooperatives in the economy but not shareholder corporations or private equity firms, where should the line be drawn between these types of business and why? The examples of profit-hungry producer cooperatives and limited liability companies owned by billionaire families again come to mind. As I pointed out in the Background chapter, the limiting principle of a cooperative economy

does not directly relate to the problem of profit-seeking and growth and, as I have shown in this thesis, it is not non-cooperative business types that are the problem. If the line is drawn at cooperative versus non-cooperative types of business, it allows for privately-owned profit-driven cooperatives, but not the many sustainability-oriented NFP businesses that are not cooperatives. This is a discussion that needs to be taken more seriously if post-growth transformations are to be pursued on a larger scale. As the post-growth project becomes more widely adopted, it is imperative to have clear guiding principles.

Clarity and precision of limiting principles

An important question about limiting principles is whether they are clear enough to guide post-growth organizing or if they are wishy-washy and open to interpretation. For instance, because the term “social enterprise” is a general category without any strict definition, it is not a good limiting principle. Any transnational corporation can own and operate a social enterprise. Unilever, for instance, owns Ben and Jerry’s ice cream, which is often referred to as a social enterprise (Unilever 2020). Co-optation and greenwashing are very real concerns in the field of sustainability (Alves 2009). Clear exclusion or limiting principles can help mitigate co-optation. The RtP theory offers a clear definition of the problem and correspondingly clear limiting principles.

The metaphor of a strainer or a sieve is useful. The size of the holes is related to what kinds of things are meant to stay in versus wash out of the container. Very small holes will keep lentils in, but might also keep sand and soil in. Yet, large holes increase the risk of losing the lentils. It is all about finding a strainer with just the right sized holes to get rid of what we do not want and to keep what we do want.

For-profit initiatives that are sincere about social and ecological justice can part with their private financial rights without losing their essence. In fact, getting rid of their private financial rights and the ability to seek profit as an end might strengthen their commitment to sustainability. Whereas, a large transnational FP company is going to have to change in fundamental ways in order to become NFP – and those are also the ways that will result in meaningful outcomes for sustainability.

Revisiting cooperatives

Cooperative structures are inherently tricky to compare to other forms of business, because democratic governance is written into their incorporation structure. For instance, while Chaddad and Cook’s (2004) typology of cooperatives sheds some light on control rights and financial rights in different cooperative business types, it is also a good example of how the concepts of “ownership” and business purpose are often blurred and misunderstood in the

cooperative context. The RtP perspective allows for a clearer comparison of the different kinds of cooperatives themselves.

The worker cooperative is a for-profit incorporation structure, because the workers have private equity in the firm and can receive dividends of the profit (John Pencavel and Craig 1994). In legal terms, it is a form of business that is democratically governed for the financial gain of the worker-owners. But of course, a worker cooperative might choose to focus more on social benefit in their strategy. The social cooperative incorporation structure available in some European countries is a worker cooperative with caps on the distribution, in order to maintain a focus on social benefit (Ioannis Nasioulas 2012; Borzaga, Poledrini, and Galera 2017). A worker cooperative could be considered NFP if it incorporates a legal social benefit purpose and precludes private financial rights in its legal statutes. These types of models already exist as worker-directed NFP businesses (Chris Tittle 2015).

Consumer cooperatives have no real focus on profit as a goal. Instead, profit is used to give consumer members better prices on the products they consume, and perhaps an annual rebate. Whether consumers keep the money in the first place or receive it as a “dividend” at the end of the year does not matter to the cooperative, as long as it can cover its costs. The only way members can capture the value of the cooperative’s activities is by buying its goods and services (Ruiz-Mier and van Ginneken 2006). Hinton and Maclurcan (2016) argues that consumer cooperatives and credit unions meet the legal definition of NFP, because the profit distributed to consumers will never be more than a fraction of what the consumers have spent into the company via purchases. So, the patronage dividends from consumer cooperatives are best thought of as refunds, rather than actual dividends for private financial gain. In legal terms, it is a form of business that is democratically governed for the social benefit mission of providing high quality and affordable products to its consumer-members, who have no financial rights to take the assets of the cooperative (Ruiz-Mier and van Ginneken 2006).

Producer cooperatives whose members are for-profit companies themselves (like many agricultural producer coops) can pursue financial gain for private owners - albeit indirectly, through for-profit member companies (Roslynne G. Gall and Schroder 2006). As such, this kind of cooperative is for-profit. However, one can imagine a producer cooperative whose members are NFP businesses, in which case no profit would be distributed to private owners, so this would be an NFP producer co-op.

Revisiting social enterprises and hybrids

“Social enterprise” is not a legal structure of any sort, but is rather a large category open to interpretation that can include both types of relationship-to-profit, as well as many different kinds of incorporation and governance structures (Reiser and Dean 2017). The term “social enterprise” does not

imply any certain criteria for strategy either (Houtbeekers 2018). In other words, the term “social enterprise” provides limited usefulness for post-growth scholars and practitioners (Ibid). Drawing the line of what is enough financial gain for owners and enough social benefit is arbitrary (Isil and Hernke 2017; Málovics, Csigéné, and Kraus 2008), which leaves the terms like “social enterprise” and “triple-bottom-line” models open to co-optation and greenwashing. Such co-optation harms social enterprises that are truly committed to serving the public interest, as the reputation of this whole category of businesses becomes less trust-worthy.

From an RtP perspective, it is not accurate to imply that there can be FP, NFP, and hybrid types of business. If a business has a dual purpose (or a hybrid purpose) of both private financial gain and social benefit, it is considered *for-profit* in legal terms. Sometimes, the word “hybrid” is used to refer to business arrangements in which an NFP owns an FP subsidiary (e.g., Boyd et al. 2017), as is the case with Greyston Bakery. And sometimes it is used to refer to an FP that has a contract to work closely with an NFP, channeling some of its resources to the NFP, like a company that gives 1% of its profits to a charity (Ibid). The case of the former (e.g., Greyston Bakery) complies with the non-distribution constraint and can be considered NFP; while the latter is a collaboration between a for-profit business and a not-for-profit. Therefore, the word “hybrid” can muddy the waters when it comes to aspects of business that are key for sustainability. The five dimensions framework in Paper 4 offers clarity about this.

Allowing for diversity to flourish

I have encountered concerns that the FP/NFP distinction is too black-and-white, and that transitioning away from for-profit forms of business would entail a loss of diversity in the economy. This, of course, would be very relevant for the resilience of NFP economies.

Here it is important to note that the for-profit economy has expansionary and homogenizing tendencies that crowd out, co-opt, beat out, buy out, and threaten the survival of smaller, less-profit driven initiatives. The dynamics explained in Paper 1 and Paper 3 show that maintaining the for-profit economy is a good way to *reduce* diversity and plurality, not preserve them. These expansionary and homogenizing tendencies result in the pushing out or taking over of the diverse, local community economies that Gibson-Graham and colleagues write about. In this sense, the FP economy entails structural violence and exclusion (Harvey 2015). In the quest for financial gain, social relations and the natural world are increasingly commoditized (Magdoff and Foster 2011). These tendencies also make the FP economy very vulnerable to shocks (Moore 2014).

Although, this thesis implies a smaller range of existing incorporation types compared to the FP economy, it expands the range compared to the common post-growth vision of a cooperative-only economy. I have been able to shift

my grocery shopping, banking, clothes shopping, and cinema-going, as well as the electricity and insurance for my apartment to NFP companies. I can usually find NFP accommodation when I travel. There are myriad NFP restaurants and food producers around the world. I would not find cooperative equivalents in all of these sectors. Furthermore, when it comes to the number of specific types of business structures that could exist in an NFP economy and concerns about diversity, it should not be forgotten that new incorporation structures have been developed in recent decades and can be developed in the future, in response to changing needs and challenges. For instance, an ecological mandate can (and should) be added to the regulative make-up of NFP forms of business.

There are good reasons to expect that an NFP economy allows for more diversity of organizational forms, values, goals, and strategies than the FP economy. First, it is not systemically propelled by the conversion of nature and social relations into money, as the for-profit system is. Because there is not the inherent drive for growth and commodification, an NFP economy can be expected to better allow for provisioning outside of the monetized economy, via sharing and gifts, which is an important aspect of post-growth organizing (Parrique 2019). The NFP economy sits much more comfortably with the fostering of diverse, traditional, local economies. In fact, many NFP companies use some of their resources to help preserve Indigenous ways of life - such as Myuma, a civil engineering firm mentioned in Hinton and Maclurcan (2016). Second, the nature of NFP business itself entails more diversity. Each NFP business has its own mission. In contrast, FP businesses often stay focused on the pursuit of profit and the FP market dynamics ensure that most businesses have to use the same kinds of profit-seeking strategies just to stay afloat.

In other words, the FP/NFP distinction should not be thought of in terms of black and white, but rather white and non-white (Lux 2003). There is a wide range of colors aside from white. As one organizational theorist colleague of mine put it, RtP is an asymmetrical concept.

If one accepts the claims that for-profit business structures are driving social and ecological crises, then arguing to keep for-profit business as part of a sustainable economy because there are some good for-profit companies is a bit like arguing to keep slavery because there are some compassionate slave-owners who treat their slaves as equals. If a social structure is identified as having dangerous, destructive, or exploitative tendencies, it should be changed or rooted out. It does not make sense to keep it around just because it is not *always* destroying and exploiting.

While it is necessary to have positive, constructive principles about what kind of economy to work towards; it is just as important to draw a line in the sand and name what is dysfunctional, destructive, and unsustainable about the growth-based economy - that which must be moved away from and excluded. A clear identification of the destructive drivers and institutional elements of the growth-based system allows for resolving its expansionary and

homogenizing tendencies, and at the same time helps avoid throwing the baby out with the bath water. Indeed, business, markets, and money are often given a bad name in sustainability and post-growth literature. However, from a historical perspective, these are social innovations that were developed over millennia for a reason and so care must be taken in understanding the purpose they serve (and can serve) going forward.

Leverage points for change

Donella Meadows' (1999) leverage points framework provides a useful heuristic for thinking about the degree to which a problem is systemic and, thus, the degree to which solutions or interventions must be systemic. Meadows outlines generic "leverage points" in a system that can be used to identify different kinds of sources of problems, as well as corresponding interventions that can resolve the problems. The idea is that different types of solutions have different amounts of leverage to change the system. If there is a small problem in an otherwise functional system, then changing the amount of a flow variable in the system might resolve the problem. For instance, if a class has a capable teacher who uses appropriate teaching methods and the students are keen to learn, but the failure rate is high, this problem might be resolved by reducing the *amount* of material the students are required to learn. However, very systemic problems might require a change to the structure, rules, and goals of the system itself – a transformation of the system (Abson et al. 2017). To continue with the education example, a growing number of students in the field of economics feel that the material and methods they are learning are not useful for the challenges of the real world (Proctor et al. 2018). This kind of problem requires deeper structural changes to the field of economics itself. The leverage points framework implies that the most effective solutions are those that address the roots of the problem.

This of course relates to how the problem is defined. If the sustainability problem is defined narrowly, then the solutions will be correspondingly narrow. For instance, if greenhouse gas emissions are identified as the driver of climate change, then the corresponding leverage point for intervention would be to stop or slow down the amount of greenhouse gas emissions. Currently, most sustainability literature aims at low, non-systemic leverage points (Dorninger et al. 2020). These kinds of solutions imply that the drivers of sustainability problems are somehow exogenous to our social systems, so the best we can do is to try to slow down the flow of water from a tap we have little control over. However, post-growth analyses define the sustainability problem in much more systemic, endogenous terms: the global crises of climate change, biodiversity loss, and inequality all have the same roots in the economic system that drives and requires constant expansion of production and consumption (Spash 2017b). This is a systemic problem because it comes from the way in which the economy is organized and the goals towards which

the economy is geared – namely the growth of GDP, profit, and income. This problem definition corresponds to the highest leverage points; those that have to do with the mindset out of which the system arises, the goals, power structure, rules, and culture of the growth-based economy (Meadows 1999). This perspective clarifies that so many of the sustainability efforts of the last few decades have not been more effective, because they do not take aim at the deeper structures and dynamics driving the crisis.

The identification of dominant feedback loops in the FP and NFP types of economies in Paper 3, highlights opportunities for systemic transformation. Resources can increasingly be directed away from structures and strategies aimed at generating private gain, and towards structures and strategies aimed at generating social and ecological benefit. This kind of shift would change the goal of the system; weaken the reinforcing feedback dynamics of the for-profit economy; and strengthen the balancing feedback dynamics of the not-for-profit economy.

There is evidence that in many parts of the world, social norms and narratives are shifting in response to the sustainability crises in a way that supports post-growth organizing (Hinton and Maclurcan 2016, 127–45). If norms, logics, and beliefs continue to shift away from framing the profit motive as natural and necessary, and towards the framing of wellbeing in social-ecological terms, it opens up the space for corresponding shifts in the structures and strategies of the economy (as shown in *Figure 7*). In some cases, seemingly small changes, such as a shift in business structure, might result in large changes to the system's dynamics. Furthermore, because these are the social systems within which we live and that we shape everyday (as members of society), we can work together to change the goals, structures, rules, and culture of the economy (Göpel 2016).

Directions for future research

Some interesting and important directions for future research that build on relationship-to-profit theory are outlined below.

How sustainable are existing not-for-profit businesses?

This theory makes the case and offers a basis for the collection of data about NFP businesses. In particular, it is important to gather information about whether they are already behaving in a more sustainable way than their FP counterparts and if not, what the main challenges they face are. The RtP theory offers the hypothesis that the main challenges NFP businesses face in behaving more sustainably likely come from the FP market and the FP dynamics discussed in Paper 1 and Paper 3. The five dimensions framework can guide data collection in comparative case studies of FP and NFP businesses. Some questions to guide such research would be:

- Why have sustainability-oriented entrepreneurs chosen to start their businesses as an NFP or FP? What are the factors that go into that decision?
- How do NFP businesses measure up in terms of social and ecological sustainability? How do they compare to FP peers? What do they do with their profit?
- What are their biggest opportunities and challenges to acting sustainably? How can the challenges be alleviated or removed?
- Do NFPs perform differently in different cultural and/or policy contexts? Do they perform better in less FP contexts (e.g., France compared to the US)?
- Do NFPs tend to cooperate to achieve social benefit more than FP peers?
- Are NFP businesses more common in certain geographical areas due to certain cultural or regulative contexts?
- What kinds of incorporation structures, governance, and strategies do they use? What size and geographical scope are they? How do these traits compare to FP peers?

How does relationship-to-profit interact with other post-growth proposals?

An important strand of research is to examine how shifting from FP forms of business to NFP forms might fit (or not) with other ideas for post-growth economic interventions outlined in the literature. It is arguable that a transition away from FP business forms to NFP business forms is a prerequisite for many other post-growth interventions, such as minimalist lifestyles and a shorter work week (a point to which I allude at the end of the Fit for Purpose paper). Furthermore, if such a transition were to take place, perhaps there would be no need for other prominent post-growth policy proposals, such as changing the fractional reserve banking system; redesigning money; or introducing a universal basic income, which are mostly aimed at balancing out the destructive tendencies of the for-profit economy³⁷. This is an important avenue for future research.

What might transformation pathways from a for-profit to a not-for-profit economy look like?

This is perhaps the most obvious follow-up question to this thesis. The argumentation and evidence I have presented in this thesis might have convinced the reader that the FP economy is not very likely to become sustainable. However, some readers may find it difficult to imagine a not-for-profit market economy or to imagine how to get from here to there. Therefore,

³⁷ In Hinton and Maclurcan (2016), we touched on some of these ideas and posits that neither the Universal Basic Income (p. 234) nor full-reserve banking nor exclusively public banking (p. 181- 185) would be necessary in an NFP economy. However, it is a very brief and superficial treatment of these issues.

research should address how transformation pathways might take shape, including what the potential barriers and opportunities in different contexts might be.

One could use back-casting and participatory methods to generate target-seeking scenarios for transformation. This could involve workshops with initiatives like the Wellbeing Economy Alliance, Schumacher Institute, Degrowth activists, and a plethora of other organizations pushing to “build back better” and “bounce forward” from the social and economic shocks of the Covid-19 crisis.

Such efforts could start with the ideal types in Paper 3. In Hinton and Maclurcan (2016), we also offer some starting points for further thinking about such transformation possibilities, by describing a transformation scenario in Chapter 6, and practical steps for starting a transformation process in Chapter 7 of the book. Furthermore, much can be learned from historical examples of how major transformations have taken shape.

Modeling and Scenario Generation

There is also the potential for adapting an existing quantitative model (such as Victor’s (2019) LowGrow system dynamics model) in order to explore: different scenarios; desired futures; transformation pathways; potential barriers; and possible unintended consequences. This could allow for an incorporation of different mixes of relationship-to-profit in the market, different mixes of business strategies, as well as different starting conditions.³⁸ Such a model could also allow for a more in-depth exploration of questions like “Under which conditions (if any) might a for-profit economy be sustainable?” and “Under which conditions (if any) might a not-for-profit economy be sustainable?”. The CLDs in Paper 3 could be used as starting points for generating scenarios around consumer debt, automation, secular stagnation, and many other current trends in the economy. They could also be the basis of modeling and comparing alternative economies - for instance, comparing a totally worker cooperative economy to an NFP economy. Or such a model could be used to test different interventions, like how public banking or a universal basic income might decrease the drive for growth, or not, in different kinds of economies.

³⁸ Victor’s model is a system dynamics model, but agent-based models could also be very useful for these purposes.

Conclusion: Implications for the world

Systemic problems call for systemic interventions. If this thesis is correct, it means we have no choice but to radically transform the economy. We must move away from for-profit business structures in order to protect people and the planet. This implies a shift away from capitalism, but it does not necessarily imply a shift away from business and markets. Changing businesses and markets in a not-for-profit direction has the potential to transform the economy as a whole.

We must also do away with the outdated and destructive economic myths that keep the for-profit system propped up. This includes the idea that capitalism is a meritocracy that rewards people who work hard; the “trickle-down effect” that says that inequality naturally withers away with time; the idea that GDP decouples itself from environmental impacts the more it grows; and the myth that capitalist economies and democracy go hand-in-hand. These myths are deeply ingrained and difficult to break through; and they may keep this system going until it reaches a breaking point.

But there is hope. As things get worse and more people see the systemic nature of the problem, the stronghold of these myths may be wearing down. The younger generations have been born into a world in crisis. We have been traumatized by economic recessions, skyrocketing inequality, declining public health, and an unprecedented ecological crisis. Plus, we are more globally connected than ever before and can see that these problems are ubiquitous – and that the system is clearly not working. There is good reason to think that younger generations are more open to economic alternatives than their predecessors.

Indeed, change is in the air. Civil unrest around the world has more than doubled in the last decade (Institute for Economics and Peace 2020). Also during that time, we have seen a rise in globally-connected social movements; from Extinction Rebellion, Fridays For Future and the the Yellow Vests (Gilets Jaunes), to the Me Too movement, the Global Women’s Strike, Black Lives Matter, and the Sunrise Movement, as well as numerous other strikes for democracy around the world. These forms of social unrest and social movements did not come from nowhere. They are responses to the structural violence of the for-profit economic system.

We all know the proverb that you never change things by fighting the existing reality, but rather you must build a new model that makes the existing model obsolete. There is a growing call for alternatives. Yet, the public debate

is stale, offering only two types of economies: capitalism or state-planned communism. We can do better. What I have tried to show in this thesis is that looking at *relationship-to-profit* can open up the range of possibilities, allowing for an entire spectrum of alternative economies to choose from. What we need today is not *one* alternative, but a plethora of them, which can be adapted to the unique contexts and aspirations of communities around the world.

This is not the time for timidity. History teaches us that economies do not change themselves, but are rather actively transformed by their participants. We stand at the edge of a tipping point with the sustainability crisis; and social contexts are shifting quickly. Rather than assuming that it is too difficult to change the global economy in systemic ways (an argument I have often heard from sustainability scientists), we should acknowledge how fast it is already changing, and work together to help steer that change in a sustainable direction.

To steer that change effectively, we need new theories. I have developed the relationship-to-profit theory for exactly that purpose: to help steer the change. First, by demystifying core aspects of business, markets, and profit; and then by offering clear organizing principles to transform the economy in the direction of social-ecological justice. This is only a start, but my hope is that this focus on relationship-to-profit will advance several sustainability debates which have so far failed to identify core causes of social-ecological degradation. The discussion of how to transform the economy is one of the most important discussions we can have. Now let us have it.

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