Introducing the Not-for-Profit World: and economic model for a brighter future

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*How on Earth: Flourishing in a Not-for-Profit World by 2050*
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Something amazing is happening in the economy

• Can address the crises of the 21\textsuperscript{st} century:
  
  o inequality
  
  o ecological crisis
  
  o declining wellbeing
Evolution of the economy

- The economy adapts and responds to society’s ever changing needs and challenges
- We live in a for-profit world
- For-profit business and economy not sufficient for the 21st century
- NFP business is a natural bridge
- NFP as the next step in our economic evolution
NFP business is a new player in the economy:

• Traditional nonprofits are increasingly generating their own revenue through trade

• A new generation of entrepreneurs are starting up their businesses as NFP

• All over the world, in every sector of the economy
Compared to for-profit business models, NFPs:

• Have a social/environmental mission as their primary purpose

• Must use 100% of their profits for their mission (no private distribution)

• Have no private ownership

• Have a board to hold them accountable for pursuing their social mission
This means they...

• See profit as a means to achieving higher goals

• Embody an ‘ethic of enough’

• Are held to higher standards
NFP Business as an ideal hybrid

- **For-Profit Business**
  - Privately distributes profit
  - Profit-driven
  - Has owners and/or shareholders

- **Not-for-Profit Business**
  - Seeks to be financially self-sufficient
  - Sells goods and services
  - Can make unlimited profit

- **Traditional Nonprofit**
  - Based on a social mission
  - Uses 100% of its surplus for social purpose
  - Charity-dependent
Common business labels don’t tell us:

• Is profit seen as a goal in itself or as a means to achieving higher goals?

• What happens to the surplus of the business?

• What’s the ownership structure?
Our for-profit economy is in crisis

• inequality

• ecological crisis

• declining wellbeing
Why the for-profit economy has to grow:

• Psychological & social pressure to maximize profit requires growth of businesses

• Compensating for extracted profits requires growth of businesses

• An economy that’s full of businesses trying to expand to maximize profits must grow
How the for-profit economy leads to inequality:

• Goal: to accumulate private wealth

• Privatization of profit (extraction from the real economy to owners in the elite economy)

• Private ownership of businesses and their assets, which allows owners to accumulate even more

• Leads to speculative activities to accumulate even more
How the for-profit economy leads to ecological crises:

• Dominator model/utilitarian – maximize profit at all cost

• Requires constant expansion
  – Converting nature into goods, and relationships into services
  – Promotes consumerism
  – Inequality fuels conspicuous consumption in the name of status competition
How the for-profit economy leads to less wellbeing:

• Ecological crises and inequality

• Work-Watch-Shop treadmill

• The market expands to take over personal relationships (erodes family and community connections)
In response to all of the above, a cultural shift is happening:

• Story of interconnectedness

• Collaborative consumption, peer-to-peer networks, the sharing economy, DIY

• Social movements for more equality and for respecting ecological limits

• New business models moving in the NFP direction

• The economy evolving to meet society’s needs and challenges
The ‘Nonprofit Enabler’ effect

- Nonprofits are dependent on the very businesses that are creating the problems they’re trying to resolve
#1 Priority

Importance of Profit

- Worker-owned co-op
- Mom & Pop
- Benefit corporation
- Listed corporation

Model of Ownership

- NFP Enterprise
- Traditional nonprofit
- No Private Owners
- Worker-Owners
- Shareholders

Not a Priority
An entirely NFP market economy could lead to:

• More equality
• Purpose-oriented economy (the market becomes a safety net itself)
• An increased ability/tendency for businesses to collaborate and share
• Less consumerism (and, thus, less ecological destruction)
• No need to expand creates the possibility for contraction and/or steady state
• More space to meet needs outside of the market
Basic logic

• For-profit = Growth-based = Unsustainable

• Sustainable = Post-growth = NFP
We expect NFPs to increasingly outperform for-profit peers due to a range of advantages:

- Rise of ethical consumption and ongoing concern about social and environmental issues
- Purpose-oriented work force
- Leaner
- Tax exemptions, donations and volunteers
NFP advantages

• More of a tendency to collaborate and share, which can bring down costs and create more resilience

• Less of a tendency to get into debt and/or invest in highly speculative activities
NFP advantages

- No pressure to maximize profit allows for more:
  - Innovation
  - Democratic management
  - Community participation/input
  - Focus on customer and beneficiary needs
  - Focus on quality and not just for quantity’s sake
Transition

• Simultaneous decline of the for-profit economy and the rise of not-for-profit business, the story of interconnectedness, etc.
Transitioning to a NFP World: Feedback Loop

Learning from FP system and dual crises

Stronger NFP ethic and values in society

More NFP enterprises
The NFP World is not:

- A panacea
- A utopia
- A silver bullet
- It is a realistic bridge from what we have now to something more sustainable and enjoyable
Let’s co-create a NFP World!

- Citizens, activists, consumers
- Entrepreneurs and business leaders
- Nonprofit employees and managers
- Civil servants and governments
- Researchers and educators
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Book

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www.howonearth.us