

THE PROFITEERS

HOW BUSINESS PRIVATIZES PROFITS
AND SOCIALIZES COSTS

BY CHRISTOPHER MARQUIS

TEACHING GUIDE

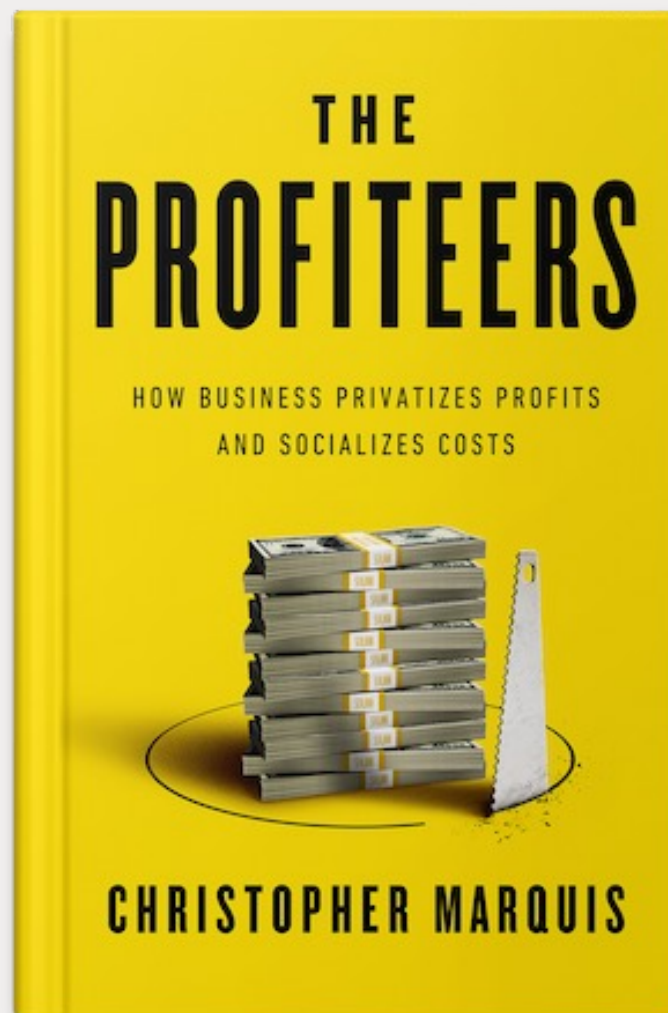


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OVERVIEW

Corporations are often reflexively blamed for our systemic problems, such as climate change and inequality. While they certainly contribute to these issues (and so can also contribute to solving them), **THE PROFITEERS** aims to uncover the systemic root causes that lead to these issues and so foreground how business operates in a broken system that has long encouraged and rewarded bad behavior. It also outlines a series of reforms that can be taken not just in corporations themselves, but also in policy, investment and consumer realms to establish a more sustainable and equitable economic system.

The book has three broad thematic focuses. The first theme offers a critique of our current economic system and how businesses “privatize profits and socialize costs. It reveals how businesses engage in profiteering by exploiting the public commons while simultaneously persuading us that repairing it is solely our individual responsibility. It illustrates in detail how some of the biggest crises of our day such as climate change, inequality, and discrimination are intimately connected to the same underlying problem of businesses receiving a "free lunch."

The second theme showcases the good work done by a group of like-minded entrepreneurs, who believe that good business goes beyond generating profit to creating a positive impact. It provides many stories and instances of innovative, socially-minded politicians, companies, and individuals, who are eager to collaborate and shape a better future.

The last focus of the book unpacks the need for actions across governmental, market, business, and consumer sectors to spur change. It considers a number of broader groups and systems that can hold companies accountable for their end-to-end responsibilities.

Overall, **THE PROFITEERS** exposes the bad behavior of corporations and the bankruptcy of the neoliberal regime that encourages it; and furthermore how individuals, businesses and governments can work together to chart a new path.

TOPIC 1

How and Why We All Pay for Businesses' Free Lunch

Introduction

The introduction provides an overview of the problem: companies make profits by shifting blame to the public and socializing costs. It lays out the book's key arguments and provides the necessary historical background to understand subsequent chapters. What drives increasing income equality? What ideologies and concepts such as meritocracy, shareholder primacy, and externality help sustain the neoliberal system that allows and encourages companies to maximize profits? The opening chapter identifies the problems of our society and also functions as a call to action to adopt a systems-change perspective focused on multifaceted action directed at the root causes.

Section Objectives

In this chapter, students will come to:

- Understand the concept of externality and know common forms of hidden costs
- Get familiar with and refute common arguments for meritocracy and shareholder primacy
- Identify the conditions that maintain the status quo and forces of systematic change

Discussion Prompts

- What is profiteering? Why is it an important problem today?
- What neoliberal ideas contribute to profiteering?
- What is shareholder primacy? What is its alternative?
- What is an externality and how should companies address them? Are current approaches based on economic theory (e.g. markets and policy) effective? Why and why not?
- In which circumstance do systematic changes happen? Can you identify facilitative factors in recent events?
- Should corporations be held more accountable for the externalities they create?
- Are current regulatory frameworks effective in holding corporations accountable, or do they need significant reforms?
- Can corporations realistically balance profit-making with social and environmental responsibility, or is there an inherent conflict?

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Chapter 1: Business's Free Lunch: Recognizing Hidden Costs

Chapter 2: Society Pays the Bill: How We Are Tricked into Covering Business's Hidden Costs

After identifying the core problem with our economic system in the introduction, the first and second chapters lay out the ways in which businesses shift their hidden costs onto society, expose the systems that incentivize them to do so, and point out the corporate gaslighting strategies that distract the public from who is responsible. What should businesses' responsibility be? How much should we pay for companies' hidden costs? How much should our children and grandchildren pay? Moreover, at a fundamental level, how should economic value and the associated responsibility be accounted for in the 21st century? Students looking to challenge the status quo will ask themselves similar questions as they're introduced to the systemic problems and explore avenues for change our current system. Students are encouraged to reevaluate what we value, i.e., what we consider to be a part of the economic calculus and what we don't.

Section Objectives

In these chapters, students will come to:

- Understand the true value and costs of business
- Identify externalities in supply chains
- Realize the systematic nature of societal issues
- Understand strategies by which externalities are passed off to society through omitted information and misdirection
- Identify corporate gaslighting tactics

Discussion Prompts

Chapter 1: Business's Free Lunch: Recognizing Hidden Costs

- How can society better understand and address the hidden costs and externalities associated with various industries, such as fossil fuels, plastics, and financial services?
- Should companies be required to disclose and factor in these externalities in their financial reporting?
- How can public awareness be increased regarding the true costs of certain products and services, particularly those with significant externalities? What role can education and media play in shaping public perception and promoting corporate responsibility?

Chapter 2: Society Pays the Bill: How We Are Tricked into Covering Business's Hidden Costs

- How do corporations influence public opinion and policymakers to shift responsibility away from themselves?
- Are there effective strategies to counter corporate disinformation and ensure transparent communication about their impact on society?

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TOPIC 2

Broken Systems and Innovative Solutions

Part 2 of **THE PROFITEERS** digs deeper into the problems of environmental sustainability and the fair treatment of labor throughout production systems and supply chains. It also highlights a series of externality busters, emerging models of circularity, regeneration, and equity that are laying the foundation for systemic change.

In addition to addressing some of the most significant externalities today, Chapters 3 to 7 show how a growing number of next-generation business leaders recognize their responsibility for their products from “end to end,” and are creating an organizing framework for systematically developing a new era of corporate responsibility. These leaders are reevaluating the economic systems that underpin global business and implementing innovative approaches to reimagine business operations responsibly. They aim to minimize negative impacts and create mechanisms for businesses to appropriately absorb hidden costs.

Students can learn from the examples across various industries from finance, tech and consulting to food, home goods, and apparel. They are encouraged to challenge conventional economic systems and explore novel approaches to reshape business operations in responsible ways.

Chapter 3: Who Pays for Carbon Emissions?

Chapter 3 emphasizes the importance of understanding what end-to-end means in corporate emissions accountability. Companies must not only consider their direct emissions from operations (aka Scope 1), but also indirect emissions from energy use (Scope 2) and activities within their value chains (Scope 3), including upstream suppliers and downstream consumers. This chapter gives examples of players from the fossil fuel industry and major corporations that prioritize short-term profits over long-term sustainability. It also introduces best practices from companies authentically accounting for their emissions and rigorously reducing them to reverse climate change.

Section Objectives

Key areas of discussion in this chapter include:

- Explain a company’s environmental footprint and discuss the difference between environmental savings and diminished emissions
- Explain concepts of avoided emissions and offsets
- Understand how some companies avoid paying for their environmental externalities
- Students are encouraged to critically examine the intricacies of corporate emissions accountability and understand the nuances of Scope 1, Scope 2, and Scope 3 emissions.

Discussion Prompts

- What are the distinctions between Scope 1, 2, and 3 emissions, and why is it crucial for companies to account for all three scopes in assessing their environmental impact? How do Scope 3 emissions, which include the entire value chain, contribute significantly to a company's overall carbon footprint?
- In what ways have players in the fossil fuel industry struggled to be accountable for their emissions, and what are the consequences of this lack of accountability?
- What are some best practices adopted by companies that authentically account for their emissions and actively work to reduce them? How can these best practices be scaled and replicated across different industries?
- To what extent do consumer choices and stakeholder pressure influence companies to become more accountable for their emissions? Can consumer demand for sustainable products and services drive a shift in corporate practices toward environmental responsibility?
- How effective are current government regulations in holding corporations accountable for their emissions?

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Chapter 4: Who Pays for Damage to the Earth?

Chapter 4 unpacks how large agriculture companies reaps high profits at the expense of farmers worldwide and posing significant long-term systemic risks to life on the planet. It introduces regeneration as the flip side of the externalities coin and demonstrates how spill overs from companies' production can be repurposed and included in a virtuous cycle.

Students are encouraged to explore the concept and practices of regeneration, learn from examples on business organization and production with the aim to restore and regenerate natural systems, social capital, and economic value.

Section Objectives

In this chapter, students will come to:

- Discuss the negative spill overs from agriculture to our climate and environmental issues.
- Explain the concept of regeneration, its connection to sustainable development, and to be able to share examples of regenerative agriculture

Discussion Prompts

- How does the structure of global agricultural production contribute to profiteering, particularly with the exploitation of farmers and its impact on the environment? Are there specific examples or case studies that highlight the challenges faced by agricultural workers and their communities due to profit-driven practices?
- What is regenerative agriculture, and how does it differ from conventional agricultural practices in terms of environmental impact, social capital, and economic value? Can regenerative agriculture provide a viable solution to the negative externalities associated with conventional farming?
- How can companies ensure that the spillovers from their agricultural production have positive impacts, creating virtuous cycles rather than negative externalities? Are there successful examples of companies implementing regenerative practices and achieving positive outcomes for the environment and communities?
- How can educational institutions play a role in promoting regenerative thinking among students in the field of agriculture and related industries? Are there specific curriculum changes or experiential learning opportunities that could enhance students' understanding of regenerative practices?
- How can businesses be incentivized to adopt regenerative agricultural practices, and what role can consumers and other stakeholders play in driving this shift? How can these practices be scaled up and integrated into mainstream agricultural systems?

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Chapter 5: Who Pays for Cheap Goods?

Chapter 5 turns to the manufacturing industry and explores how companies dispose of waste. It introduces the idea of circularity that prioritizes minimizing waste and promotes reusing, repairing, and recycling materials and products. Instead of a linear "take, make, dispose" model, the circular economy aims to create a closed-loop system that regenerates resources and reduces environmental impact. By adopting a circular approach, companies can not only look backward in supply chains and reduce waste, but also unlock creativity to achieve significant savings and create virtuous cycles. This chapter also considers extended responsibility, where producers are held responsible for the end-of-life management of all aspects of their products and packaging.

Students are encouraged to recognize the hidden costs associated with cheap goods and draw inspiration from business models centered on the principles of zero-waste and circularity.

Section Objectives

In this chapter, students will come to:

- Explain the idea of circularity, its positive associations as well as limitations
- Discuss ways to avoid waste and promote circularity
- Explain the Extended Producer Responsibility (EPR) policies

Discussion Prompts

- What are the key differences between a linear "take, make, dispose" model and a circular economy?
- How does a closed-loop system in a circular economy regenerate resources and reduce overall environmental impact?
- Discuss the environmental consequences of traditional waste disposal practices in manufacturing. How does improper waste management contribute to environmental degradation?
- What does extended producer responsibility entail, and why is it important for companies to be held responsible for the end of life of their products? How can extended producer responsibility be enforced and incentivized at a regulatory level?

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Chapter 6: Who Pays for Cheap Labor and Inequality?

Chapter 6 focuses on the human costs of the system, in particular, the abuse of labor not only in the Global South but also in more developed nations. It examines the systemic roots of poverty and wealth inequality and showcases the efforts of some pioneering organizations striving to address these issues at their roots.

Students are urged to critically assess the progressive image of companies and scrutinize their actual practices, especially regarding the adherence to labor laws and the protection of workers' rights. Recognizing that labor issues are intertwined with broader structural challenges related to income, poverty, and inequality, students are encouraged to draw lessons from businesses that prioritize the well-being of their employees and place employees at the heart of their operations.

Section Objectives

In this chapter, students will come to:

- Examples of labor exploitation
- Ways to improve labor benefits
- Factors that contribute to systemic poverty and current widening inequality

Discussion Prompts

- Discuss the notion that labor abuse is not confined to the Global South but is prevalent in the developed world as well. What are the commonalities and differences in the challenges faced by workers in various regions?
- How do economic systems contribute to the exploitation of workers? What are the root causes of labor abuse, considering both immediate factors and deeper structural issues?
- What strategies and initiatives have these organizations implemented to combat labor abuse and promote fair working conditions?

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Chapter 7: Who Pays for Systemic Discrimination?

Chapter 7 focuses on marginalized groups experiencing disproportionately high unemployment rates, financial instability, and food and housing insecurity. It highlights racism and systemic discrimination as at the root of much of these issues and so are some of the most significant externalities that have been created by our contemporary business model.

Students are reminded that while it's crucial to speak out against discrimination, mere words aren't enough. The systemic nature of these issues must be recognized, and policies and procedures to overcome them are to be advocated and implemented.

Section Objectives

In this chapter, students will come to:

- Factors to current systems of systemic racism
- Examples of implicit biases
- Understand discrimination in the corporate recruitment processes
- Efforts to overcome systemic wealth disparities

Discussion Prompts

- What are the challenges faced by marginalized communities? What is the role of racism and systemic discrimination in perpetuating these challenges for marginalized communities?
- How can acknowledging the broader structural problems lead to more effective solutions?
- What specific measures can businesses, governments, and institutions implement to address discrimination and its associated challenges? Which business practice can help move beyond rhetoric and actively contribute to dismantling systemic discrimination?

Go Further

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TOPIC 3

Building a Regenerative Economy for the Twenty-First Century

Part 3 of **THE PROFITEERS** considers a number of broader groups and systems that can hold companies accountable for their end-to-end responsibilities, unpacking the need for actions across governmental, market, business and consumer sectors to spur change. Chapters 8 to 11 underscore the importance of cross-sector work on new corporate governance standards and mechanisms, reconceptualizing finance and ownership structures, and exploring how mobilized corporations and individuals can collectively drive changes.

Chapter 8: Governing with the Commons in Mind

As government and business leaders increasingly tackle social and environmental challenges, the standards for corporate governance and accountability are undergoing redefinition. Chapter 8 focuses on two important issues: alignment and accountability. How can a company respond to the needs of the public commons if its legal foundation and the duties of its directors are primarily focused on shareholders? Moreover, if companies want to be thought of as more environmentally friendly and socially responsible, what tangible actions can demonstrate their commitment? This chapter profiles a number of important voluntary and legal actions that are redefining corporate purpose and enhancing corporate accountability for societal and environmental impacts.

Students are encouraged to reflect on how a company's legal structure influences its operation and whether it places constraints on the company's ability to create social impact. They need to be aware of the recent progress in measuring corporate social and environmental performance across organizations around the world.

Section Objectives

Some specific areas of focus for students:

- The development of Benefit Corporations and the B Corp movement
- Metrics to measure transparency and accountability such as B Lab's B Impact Assessment tool (BIA)
- Oppositions to having objective metrics to assess company performance on all stakeholders

Discussion Prompts

- Discuss the ways in which companies can be held accountable for their impacts on society and the environment. What metrics and indicators are crucial for measuring such impacts, and how can standardized reporting enhance accountability?
- How can companies ensure that the interests of the public commons are adequately represented in their governance?
- What are some examples of companies or social organizations taking voluntary or legal actions to redefine purpose and enhance corporate accountability?

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Chapter 9: Commons First Finance and Ownership

Chapter 9 digs into The Shareholder Commons, a non-profit organization advocating for the effective use of shareholder proposals to hold companies accountable for their externalities. It also looks at the Long-Term Stock Exchange, an SEC-approved and regulated market like the NYSE and Nasdaq. This chapter details many other ways that individuals, companies, and industries are using their ownership stakes to shift the paradigm, and considers new ownership models that aim to democratize the distribution of capital.

Students are encouraged to think about how our financial system can be further modified to create more positive influence. They need to recognize that within the system there are tools that can be used to facilitate desirable change.

Section Objectives

Some specific areas of focus for students:

- The costs of externalities in large investment portfolios
- The impact of shareholder proposals on corporate action
- How design of the Long Term Stock Exchange can affect corporate priorities and governance
- Ways to democratize private investment and ownership

Discussion Prompts

- What is The Shareholder Commons? How can advocacy through shareholder actions influence corporate behavior and responsibility for externalities?
- What are some examples where shareholder proposals have led to positive changes in corporate practices?
- How does the Long-Term Stock Exchange differ from traditional stock exchanges, and what advantages might it offer for promoting long-term, sustainable business practices?
- What are some new ownership models? How do these models challenge traditional structures, and what potential benefits do they offer for a more inclusive distribution of wealth?

Go Further

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Chapter 10: Corporate Activism for the Commons

Chapter 10 outlines how businesses can work on their own and together with others to engage in corporate activism. Changing the system, as discussed earlier, requires us to create a tipping point whereby the societal system better recognizes the costs of business on society. Business activists lay a crucial role in advancing this idea by drawing attention to new models and building partnerships and collaborations with other organizations and groups. By pooling efforts and resources, they can amplify their impact on the issue at hand.

Students are encouraged to think about the power of collaborative action and how purpose-driven businesses can support each other. The history of corporate activism and social movements provides useful guidance on how to facilitate system change.

Section Objectives

In this chapter, students will come to:

- Explain different forms of corporate activism
- Understand key elements of what makes an effective case of corporate activism

Discussion Prompts

- How can businesses, through their actions and collaborations, contribute to reshaping societal norms and values?
- What role can business activists play in drawing attention to new models? How can businesses lead by example, introducing innovative models that prioritize sustainability and social responsibility?
- How can collaborations between businesses and other organizations or groups amplify efforts, bring more resources to the table, and foster collective action?
- What are the potential challenges businesses may face in engaging in corporate activism?
- What lessons can be learned from examples of businesses that have successfully engaged in corporate activism?

Go Further

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Chapter 11: Consumption and the Commons

Chapter 11 focuses on how companies can spearhead culture change and how consumers can support sustainable production. It shows how rethinking production includes focusing more on quality over quantity and gives examples of how companies like Patagonia can promote consumer-facing circular solutions. This chapter also suggests principles for individuals to adopt in their consumption habits to facilitate this transition.

Students are encouraged to reflect on their perspectives on consumerism and the role of business in shaping cultures, recognizing that cultures are not fixed but are shaped by our activities. They should understand that consumer support is pivotal in scaling a circular business model and driving broader adoption of sustainable practices.

Section Objectives

Some specific areas of focus for students:

- The challenges and opportunities of radical culture change
- Examples of companies that have engaged in shifting ingrained cultural assumptions
- Principles of sustainable consumption

Discussion Prompts

- How can businesses influence consumer behavior and societal values through their actions and messaging?
- Examine examples, like Patagonia, where companies implement consumer-facing circular solutions. How can businesses integrate circular economy principles into their products and services, encouraging consumers to participate in sustainable practices?
- How can companies rethink traditional production approaches to align with sustainability goals, and what challenges might they face in this transition?
- What choices can consumers make to support businesses that prioritize sustainability, and how can they influence market trends through their purchasing decisions?

Go Further

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