

The Sustainability Prerogative— Nonprofits in the Future of our Economy: A Conversation with Douglas Rushkoff

With digital companies like Amazon and Uber focusing primarily on returning share value to investors in a “growth above all” mindset, many question how sustainable their practices truly are. The stock market business emphasizes growth of the industry but places little value on the individual or the community fostering the industry. It may be time to consider transitioning into a different economic model, in which companies are structured like nonprofits: economically sustainable while building investments that will nurture society.

Editors’ note: Douglas Rushkoff’s best-selling books on media and popular culture, including *Present Shock: When Everything Happens Now*, have been translated into over thirty languages. He is professor of media theory and digital economics at CUNY/Queens, technology and media commentator for CNN, digital literacy advocate for Codecademy.com, and a lecturer on media, technology, culture, and economics around the world. In his new book *Throwing Rocks at the Google Bus: How Growth Became the Enemy of Prosperity*, he argues that we have failed to build the distributed economy that digital networks are capable of fostering, and have instead doubled down on the industrial-age mandate of “growth above all.” Central to his argument is the rise of a new dominant business form—and it is, ideally, nonprofit. This interview was first published on NPQ’s website on April 27, 2016.

Ruth McCambridge: Douglas, your ideas are so aligned with a lot of what we’ve been thinking about at NPQ in terms of where the general economy is going and what part nonprofits should have in its future. We have been talking with our readers about thinking bigger, understanding that there’s a major shift going on—and that they have to understand the hugeness of that shift and the capacities of it before it’s too late. But

the tendency in the nonprofit sector is to deal with one social issue at a time, and not with the larger construct of the economy or with the way individual enterprises reflect one economic priority over another. That leads to some pretty muddy thinking where valuing ourselves as economic engines goes.

I was hoping that you could describe just where you see the economy as regards the character of for-profit-style

growth and what it is doing to the planet, and then describe to some extent the whole distributed alternative and what we have to pay attention to in terms of a platform.

I can set this up with two simple questions: What is your book’s basic proposition, and can you describe your hypothesis about why an emphasis on growth would lead us down the wrong path at this point?

Douglas Rushkoff: I think that the nonprofit sector in particular is perfectly situated to help us transition to a different economic landscape. You know, most nonprofits think of themselves as doing something good, but what I want to try to make them more aware of is that the nonprofit structure *itself*—the way the business is actually structured—may be doing more good than whatever their particular business is.

And that's my basic premise: While the public looks at nonprofits as do-gooders, I'm looking at the structure of nonprofits and not-for-profit corporations as business entities. Because they're not for sale—because they're not shareholder or share value—maximizing companies—what they end up doing is promoting revenue and the exchange of value and the circulation of money, which revives a whole economy rather than enriching the few.

The major businesses that are around today—particularly digital businesses—don't understand those business basics. The way that digital companies make money is simply by returning share value to their investors. So, some young person or developer might have a great idea for an application or for a platform that makes revenue and helps people accomplish a purpose, that maybe helps other people do business, that maybe even makes users rich on one level or another. But this developer takes money from a venture capitalist, who then has a very different goal for the company. His goal for the company is that it gets acquired or that it reaches an IPO—meaning it gets listed on the stock exchange—within eighteen to twenty-four months. That's what the venture capitalist wants, and it's a win-or-lose landscape. That company has to hit a “home run”—which means it makes it all the way to IPO and becomes a multibillion-dollar company—or nothing. The venture capitalist who is now in

charge of the company would rather see the company die than be a “single” or a “double.” In other words, it can't just be a successful company, because that doesn't serve him.

What he needs is for this company to be “100x” return, meaning that one hundred times his initial investment has to be paid back in a sale. And the reason why he would rather the company die is because until the very last minute—the very last second—there's some possibility that even the dying company will be acquired. So, he will position the company for that. This doesn't mean having a successful sustainable business enterprise or making revenue; it means establishing a defensible monopoly over a particular industry. You don't even have to think of that industry—or that vertical, as they call it—as something you want to thrive, that you want even to survive; it's just something that you can so totally own that you have the ability to then leverage that monopoly to go get another one.

Look at Amazon with books. Amazon doesn't care about authors and publishers. It doesn't care if HarperCollins is making more money or less, or if authors reach more readers or fewer readers. It chose the book industry as its initial beachhead in the American economy because the book industry was weak. Oh, it was fine, hobbling along, but it was dying in the sense that it wasn't a growth industry. It couldn't compete against all the other growth businesses out there, from the Internet to oil or something else. We are a sustainable little industry. There's only so many people alive, so many people reading, so much time they can spend reading.

Now, in real business, you can open one store, make pizza, sell pizza, make a profit, feed your family, and go on like that until you die. But in the stock market business, in traditional corporate

capital, that's not good enough. That doesn't work. You need to grow. You need to show your shareholders that your quarter-over-quarter business prospects are doing better and better, so that you can get a higher and higher share price and your shareholders are happy.

So, Amazon goes and looks at the book industry; it doesn't care if it kills it. All it needs to do is be able to dominate it completely so it can then leverage that monopoly into another industry, and yet another industry—whether it's drone planes or retail toys and clothing or cloud services or any other market. The same goes for Uber. It doesn't care if the drivers all go bankrupt. It doesn't care if the taxi business it's starting or the taxi marketplace it's running is ultimately unsustainable—because it doesn't need it. It's buying the taxi industry in order to flip it into something else—in order to move into drone delivery or logistics or some other market.

Traditional corporate capitalism always worked this way, but it was a bit slower. It took Walmart twenty or thirty years to bankrupt one of the communities it was extracting value from. So now Walmart is in trouble, because so many towns where it operates are impoverished. Once you have a Walmart, you can't make any money doing anything else. Everyone just either works for the Walmart or buys from the Walmart—that's it. And it's an extractive force, so eventually the towns go belly up, and now there are Walmarts closing, because the towns they're operating in have died.

But what happens when you do this digitally—when you do it with a digital platform like an Amazon or an Uber? That value extraction happens a lot faster. So, what used to take thirty years might now happen in three years. But they don't care, because they're going to move on to another and another and another. It's the scorched-earth practice.

RM: So, this is *antisustainability*?

DR: Yeah, and they don't really care, because the object of the game is to buy a business and then sell that business for enough profit that you never have to work again. And, as the world gets worse because of that activity, it doesn't really matter, because you've earned enough millions of dollars to insulate your family and yourself from the reality that you've created. So, that's really the whole idea: get a business and sell that business so that you have enough money to protect yourself from the devastation and the poverty and the unrest that's around you.

Now, the thing that I'm arguing to those people, to business people, is that the probability of being what they call a unicorn—the probability of having the one-out-of-ten-thousand chance of having a company that ends up being a Facebook or an Uber or a Twitter or whatever—is so small, that creating a sustainable business and shooting for some millions of dollars rather than creating an unsustainable business and shooting for billions of dollars is actually smarter business. It's better business because—worst case—you can always fall back on the fact that you have a revenue-producing sustainable business. In other words, why not at least have a company that generates revenue, that has a market that is thriving?

What I'm arguing is that digital companies—and all companies, really—should look at everyone from their supply chain through their consumption chain as people who they want to make rich. If you make your customers rich, then you've got wealthier customers and people who are going to come back. So, you need to start looking at money not as something that you extract from the economy and store in share price, but rather as something that you circulate through the economy and that you see

again and again and again and again.

A good company, in other words, understands that if it has wealthy customers and if it circulates money, it can earn the same dollar ten different times rather than just taking \$10 off the table. What traditional corporations have done is they've extracted so much money from the marketplace that there's not enough money for people to do the things they actually need. Most of the people are poor, and the corporations are rich—but they're so rich that they're suffering from a kind of a financial obesity, where they've accumulated all this money but they're really bad at deploying the money. They're bad at making money with their money.

In technical terms, corporate profit over value has been going down for seventy-five years. That means they're very good at collecting money but very bad at spending it, at using it, at doing anything successful. A big, for-profit pharma company now doesn't have the capacity to innovate. Instead, it looks around for little companies that are innovating, and then buys them. So, they're not really pharmacy companies anymore; they're holding companies. They may as well be a mutual fund or a bank. That's even what happened to Google. Google now calls itself Alphabet. It got so big that it really couldn't figure out how to innovate on its own anymore, so it buys drone companies and robotic companies and other software companies that do still have the ability to use their funds to innovate.

Now, in the nonprofit sector, unlike in the for-profit sector, the company can't sell itself, and it doesn't have shares that go up in value. Everything else is the same. You could be a nonprofit *store*. That doesn't mean you don't make revenues. It doesn't mean you can't pay yourself. It just means that the way you make money is not by making your share

price more valuable and then selling that to other people. It means that the investment that you put into the company stays in the company. You can't extract that when you leave.

So, it's much more like a family business—and if you look at the data, family businesses do better than shareholder-owned businesses in pretty much every single metric, and they last a whole lot longer. You're building a company not because you want to take value out of it and then use that money to bequeath an inheritance to your grandchildren but rather because you hope it will still be around when your grandchildren need a job, to circulate wealth when you die.

That's why I'm trying to convince Internet startups to be benefit corporations, multipurpose corporations, or, best of all, nonprofits. Once you're a nonprofit, you don't have to worry anymore. You can still borrow money if you want to and issue bonds and do other things, but it makes it impossible for shareholders to come and demand that you change your business. You know, if the mob is going to take over your restaurant, they don't care about your meals anymore; they're using your restaurant as a front for something else. That's what shareholders do: They use any goodwill that you've created with your little app, with your little company, that name that people have on their lips—and they use that as a front for an IPO, as a front for a flip. And, even if you get to IPO, that doesn't guarantee ongoing success. Take, as an example, my dear little friends at Twitter, who got to IPO and have this incredibly successful app that simply delivers 140-character messages to other people; who make \$500 million a quarter; and who are considered an abject failure by Wall Street because they peaked. You make \$500 million a quarter—but what about the next quarter? What if that's as

much money as a 140-character messaging app can make? What if just \$2 billion a year is all that this little tiny app can make? The market is going to drive them out of business, right? It's going to get rid of them. It's going to kill the company because it can't grow anymore. And that's tragic.

RM: *So tragic. I think it's exactly why we're losing so many newspapers. It wasn't about whether they could support themselves or not; it was about whether they were still growing.*

DR: Yep. We live on a planet that—I hate to admit it—might have a fixed quantity of real estate. From space, it looks like a sphere; it doesn't look like it's growing to me. This looks like it's about it. And it may be able to go on for a whole long time, way longer than people think, but it needs to start thinking about itself as a regenerative system—more like a coral reef or a forest than like a corporate marketplace that's supposed to expand forever. And whenever I say this, people accuse me of being Malthusian, that I'm saying things are limited and we're all going to die, and I'm really not saying that—

RM: *Well, hello! In fact, we are all going to die, and things are limited.*

DR: Things are limited, but you can still grow. It doesn't mean you can't have progress and change. You can have all sorts of innovations and shifts of stuff, but even if we may be able to grow—even grow forever—there's a certain point at which you can only extract so much water from an aquifer before it can't replenish itself fast enough and the aquifer is gone. Yes, in a billion years—assuming the planet is not gone—the aquifer will replenish itself, but maybe not fast enough for the human beings

who want so much more water from it than it can really supply.

The rate of the artificial marketplace is much faster than the rate of the real planet. It's not even the rate of real business. Most business—94 percent of business, something like that—is now derivative. People aren't even buying and selling real shares; they're buying and selling derivatives based on those shares. The derivatives exchange got so big that it bought the stock exchange. So, we're looking at a completely synthetic form of moneymaking. Seventy-four percent of the revenues earned—the money earned by the top 1 percent—was utterly passive synthetic income. It was valueless. It was just derivatives of derivatives. It was pure drag on the system, and it just doesn't work after a while.

RM: *Can you say a little bit about the concept of the commons? I know you've been talking about it throughout—nonprofits come out of that concept—but can you talk explicitly about how that needs to apply here?*

DR: The commons has gotten maligned. People talk about the “tragedy of the commons,” which is the idea that if no one owns the thing, everyone is just going to abuse it and take everything, and there will be nothing left. But, in reality, a commons is a managed common resource, and a real commons has very strict rules. So, if there's a pond in our town that we all fish from, we're going to have to make rules about this commonly used resource. We'll say, Okay, if you want to use this, you can only have ten fish a day, or twenty fish a week from this, and you can only use *this* kind of bait because this other kind is going to pollute the water. And then, as managers of this common resource, we have the ability to penalize or exclude those who

don't follow the rules that we've established to maintain that commons.

I mean, it seems like simple logic, but it's looking at a resource as something that we want to maintain over time. We want to maximize the value that everybody can create, as opposed to . . . well, the way a short-term company looks at something. The ideal scenario for them, I guess, is when you go to someone else's country, you mine for things—and you mine for things in such polluting ways that you make it impossible for the local community to do subsistence farming anymore. So now everybody has to work for your company if they want to have an income. And then even after you're gone, they don't have a way to sustain themselves, so they become utterly dependent on you and the World Bank or foreign lenders in order to buy chemicals or whatever they need to try to grow on their polluted topsoil. It's the anticommons view.

RM: *One last question: One thing I found fascinating is this concept of platform monopolies. What's the alternative to platform monopoly, and how do we get this sector focused on that and other modern concepts of the commons?*

DR: I think the most promising new structure I've been looking at is called a platform cooperative, and it's the opposite of what an Uber or an Amazon does. Uber and Amazon want to establish monopolies of their platforms. It's the same as the old chartered monopoly that destroyed the peer-to-peer economy of the late Middle Ages, but instead of it being the East India Trading Company or Walmart being defended by laws or their access to capital, now it's digital platforms that are defended by their very programming.

Right now, on a platform like Uber, you have drivers who are doing the

research and development for robotic cars that are going to replace them. So, they're investing their time and labor into something that will soon make them even more jobless than they already are. If it were a platform cooperative, then the difference would be that the drivers would own the platform instead of shareholders. Instead of investing \$5 billion or \$10 billion into this platform to give it a war chest to deregulate or reregulate markets in their favor, and to undercut everybody else in the industry (which is what that cash is for—it's to have lower prices than are manageable, than are sustainable), it would be a driver-owned platform and they could pay themselves fair wages. Moreover, even if they do obsolesce their own driving—even if they obsolesce their own careers—they would be owners in the company that they built, which is a totally different relationship to it.

If your neighborhood gentrifies, and if you're just a renter in that neighborhood, you're screwed. But if you own a building in the neighborhood that's gentrifying, at least your property value is going up. At least you're benefiting in some fashion. But, if you are just a disenfranchised worker, like an Amazon Turk or an Uber driver, there's no hope.

So, what I'm looking at is models that include workers as owners. And there are examples of them. There've been co-ops for a long time—for instance, there's WinCo, which is a competitor to Walmart out west. No, it's not a nonprofit, but it's a worker-owned cooperative that is beating Walmart in both prices and quality—and certainly in sustainability—because it pays its workers more and its workers are owners. I've talked to some of the biggest shareholders of Walmart, and they're so confused: "How can these people pay their workers more

money and still undercut us on price? That makes no sense." It's like, Yeah, well, they don't have the overhead that you have. They don't have the overhead of shareholders who want to extract all the value from this equation. And that's the real difference here.

What nonprofits have to realize is that growth can be a happy side effect of reaching more people and doing more things. The one advantage the nonprofit sector has over its for-profit counterparts is that you don't have the obligation to grow. You are not structurally required to grow. And if you don't play that advantage, then you're going to get eaten—one way or the other.

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