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Social Studies**

Erasmus

Nodes of Hope
**The role of social companies in [re]embedding a moral
economy in the 21st century**

A PHILOSOPHICAL OUTLOOK NURTURED FROM A CASE STUDY OF B CORPS IN
COLOMBIA

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List of Acronyms

BA	Bachelor of Arts Degree
B Corp	B Corporation
BIC	Collective Benefit and Interest Companies
CONFECAMARAS	Colombian Confederation of Chambers of Commerce
DNA	Deoxyribonucleic Acid, referring to the genetic code or ‘essence’ of organisms or other entities
ECA	Economic Commission for Africa
ECD	Economics for Development
EU	European Union
ILO	International Labour Organization
ISS	International Institute of Social Studies
MA	Master of Arts Degree
MINCOMERCIO	Ministry of Commerce, Industry and Tourism of Colombia
ROI	Return on Investment
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SRM	Self-Regulated Market
SSE	Social and Solidarity Economy
UDHR	Universal Declaration of Human Rights
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNDESA	United Nations Department of Social and Economic Affairs
UNICEF	United Nations Children’s Fund

Abstract

Capitalism is a dead end. Its contradictions are increasingly exposing its inability to effectively tackle global crises or guarantee present and future sustainability. In this context, counter-hegemonic movements are gaining momentum, proposing other ways of social, political and economic governance. This research employs a multi-method technique to examine the case for a moral economy as a systemic alternative feasible today. Its philosophical and theoretical components provide a historical narrative of the moral economy, arguing why humankind must envision the pathways to materialize this utopia. The empirical method gathers primary qualitative data on how social companies are a hybrid institutional actor that emerges to drive this transition forward, focusing on B Corps in Colombia. In conclusion, the nodes of hope for [re]embedding a moral economy in the 21st century lie in our continuous transitioning to more moral societies and to the general will to cultivate it from our daily economic practices.

Keywords

Moral Economy, Social Enterprises, Capitalism, Market Economy, Hybrid Organizations, B Corporations, Embeddedness, Disembeddedness, Sustainability, Sustainable Development Goals, Ethics, Capabilities Approach, Universal Human Rights, Colombia.

Acknowledgements

Ideas —regardless of how big or small, transcendental or mundane- are born as part of a neuronal connection called synapse. It is not necessary to be a neuroscientist to appreciate the beauty of this vital brain process that allows to link nervous impulses, but also memories and thoughts. All knowledge we possess is a remembrance of what we once learned. Thus, the ideas we come up with are the result of the synapses between old and new inputs, so “sharing knowledge means new knowledge is developed” (Spaas 2020: 39).

During this research process, I read the contributions of many great thinkers and academics, whose words allowed me to create synapses translated in this paper. Hence, I want to begin by thanking all the authors referenced in this work, because the ideas hereby presented are flourishing upon the grounds they laid. Especially, Wright (2010), Polanyi (2001) and Smith (1982).

Similarly, is not only in the literature where I found guidance and inspiration. I often recorded the conversations I had with my family and friends, when they asked me how my process was going. In explaining my ideas, I found a vehicle for synthesizing them with great clarity. Thank you for listening and for your true interest in my progress.

My gratitude as well to all the companies that opened their doors to my research and shared their experiences with me, helping me understand what all this theory can add to reality.

Finally, I want to thank the institution and professors that guided and challenged me to write the best research paper I could. I can only hope I meet the standard.

*A mis papás que me han dado todo y más,
Especialmente la idea de que puedo lograrlo todo,
Incluso atreverme a pensar en esta utopía imposible.
Los amo.*

Chapter 1 Introduction

“If we want to change the world, we need to be unrealistic, unreasonable, and impossible. Remember: those who called for the abolition of slavery, for suffrage for women, and for same-sex marriage were also once branded lunatics. Until history proved them right” (Bregman 2017: 264).

Karl Polanyi wisely warned us that “to allow the market mechanism to be the sole director of the fate of human beings and their natural environment [...] would result in the demolition of society” (2001: 76). Yet, many countries have put their faith in market economies, a choice that, directly or indirectly, has led them to great progress in technological innovations but also to many social dislocations converging in financial, environmental, social, health and humanitarian crises.

But downturns also serve as traction to imagine other ways of coexisting with all species on Earth, of making a profit and of governing our system. In doing so, it is crucial to transcend the dichotomies commonly used to conceptualize the market – good or bad, hero or villain, efficient or inefficient – and analyze it with the certainty that it is inherently social. Far from being an autonomous mechanism, its existence is a product of the nexus and interactions between its actors, or better said, its creators (Thompson 1971: 135).

This socially constructed market was first disembedded from society during the ‘great transformation’ brought about by the enclosure of the commons and the industrial revolution (Polanyi 2001). While these historical transformations took place at different rhythms and moments around the world, their culmination occurred in 18th century England. Since then, the market has grown in unimaginable ways, burying its social nature deep, but it is still at its core. Today’s global crises exacerbate the need to reclaim it, so it justly fulfills its primary purpose: to benefit people (Reed 2015: 101).

The international community is waking up to the reality that the current neoliberal model based on economic growth is driving us to the abyss of planetary boundaries. Capitalism may have solved some of humankind’s problems and fueled progress, but it has also aggravated others, such as inequality, corruption, resource depletion and pollution. While it will eventually be consumed by its unsustainability, “the actual historical timing of the ‘end of capitalism’ does not simply depend upon the laws of motion of capitalism which propel it towards self-destruction. It also depends upon the collective actions of class-based social forces” (Wright 2010: 63).

Attaining the level of collective agency needed to produce a systemic change in a hegemonic system like capitalism once seemed impossible. However, in this globalized world, there are more tools than ever to be interconnected, making individuals more sensitive to the problems endured in other regions. It is from the awareness of our interdependency with all beings that a change in social values is cooking, slowly and at different temperatures around the world but heating as surely as global warming; questioning the principles and practices that should guide our communities forward. The moral economy project is engrained on this need to find [create] sustainable alternatives to capitalism, grounded in a deep international solidarity that raises awareness of the obligation to do right by the other and in turn fostering reciprocity and trust. Thus, it must be understood as a non-binary spectrum in which economies transition as moral economic activity prevails.

1.1 The Quest for the Moral Economy

The practical outcome of the collective awareness regarding the interdependency of earthly species is international solidarity. It entails the realization that beyond caring for kin and friends, we all share social and evolutionary ties that interrelate us. We all breathe together and it is on this equality, that the reciprocity that multiple authors (Smith 1982; Wright 2010; Mau 2003; Laville 2015, just to mention a few) have endlessly pinpointed as one of the pillars of any socio-economic relationship is rooted. Yet, solidarity, like morality, is not always a choice but also a matter of having the capabilities to choose. It is feasible to have solidarity as a pillar in a safe and prosperous community but if the scenario is marked by violence, structural inequality, corruption and oppression, it may seem like wishful thinking.

Similarly, the definition of what is ‘moral’ takes new connotations in different contexts. A project for a moral economy must be pragmatic in its realization by being applicable in the crudest scenarios of the international arena. Otherwise, reducing economic affairs to a simplistic ideal that is not fit in the real-life context would hide economic practices under the “cloak of ‘moral’, without obliging us to specify just what moral value is involved or to think carefully about the vision of the good that it entails, its assumptions and implications” (Carrier 2018: 19). It is both dangerous and foolish to employ the idea of a moral economy as a mere symbol, so any quest on this topic should start by agreeing on what this ‘morality’ entails and reflecting on its viability in both the global North and South.

Such reflection reminds us that regardless of where we stand, we are all a product of this system and that it is in us to change it. Today, economic actors – consumers, suppliers, shareholders and others – have the power to vote with their choices, publicly supporting the

businesses and practices they find to be moral. What democracy has been to global politics, moral economy could be to global economics: the democratization of the economy, finally including the infinite ways of living, knowing and making sense of the world in economic practices. Those actors with greater purchasing or productive power, education and knowledge will have a greater responsibility to influence a moral economic ecosystem in which all can eventually participate. As argued in this paper, firms play a central role in driving this systemic transition by progressively mutating into hybrids that can continue to be profitable while operating morally.

Finally, the quest for a moral economy also leads to a fundamental ideological question on the role that this alternative is to play in a capitalist system. Is it to be a supplement to fill its gaps and ensure it remains sustainable or competitive? Or rather a substitute aimed at dominating production and exchange, replacing profit-driven for impact-driven economies? (Reed 2015: 101). According to Gotz, it can either be “an ideal of economic relations in their totality or refer to a particular dimension or economic sector. Whereas one case promotes system change, the other is content to improve the market by casting light on blind spots and correcting failures” (2015: 155). In both cases, the moral economy has the potential for transforming this system either by leading to a sustainably enhanced neo-capitalism or something else entirely.

Summarizing, the moral economy is about envisioning another imagined order that is inclusive and sustainable, given that the contradictions of capitalism jeopardize life as we know it. It is rooted in the awareness of international interdependence, being its primary purpose to prioritize collective interest and positive impact over pure profit. In doing so, it offers pathways for civil society’s empowerment in deciding on the organization of economic activity. To be feasible, it must account for global diversity by being applicable in different regional contexts.

1.2 What to Expect in this Work

This research examines nodes of hope for a moral economy and to what extent can our societies turn this elusive utopia into reality, departing from the knowledge that ‘morality’ is non-binary. There is no cross line in which our economies, communities or systemic practices suddenly become moral or immoral. It is a spectrum in which these transition “depending upon the degree to which moral economic activity is predominant in them” (Carrier 2018: 32). The purpose of this first chapter is to introduce the quest for the moral economy.

Chapter 2 follows with the practical aspects that legitimize this research. This includes being aware of the positionally involved, the scope and limitations of the followed methodology and its relevance to development studies. After, Chapter 3 presents the theoretical and conceptual frameworks used to approach the moral economy, synthesizing the contributions of many thinkers leading the conversation on the topic. A brief history of the disembeddedness of the moral economy follows, starting with the enclosure of the commons in 18th century England and the invention of poverty, continued with the capitalist market and its main contradictions.

The theoretical framework opens the way to the empirical analysis in Chapter 4, which presents the findings of the primary qualitative data collected for the case study of B Corps in Colombia as a concrete node of hope for [re]embedding a moral economy. Analyzing the role of this type of social enterprise in promoting a moral economy in the country leads back to the nature of firms, which innovate to be more competitive. The logic is that in an economy embedded in a society that increasingly values impact and purpose as currency for return on investment, firms will be motivated to become social companies to survive. In doing so, they drive the transformation toward a moral economic order, specifically by acting in accordance with the Sustainable Development Goals (SGDs), as will be elaborated in the theoretical framework.

Chapter 5 synthesizes the documental and ideological research with the results of the case study, concluding on the found pathways for a moral economy in the 21st century. It also constitutes a much needed debrief of the learning process hereby covered. The economic system is ultimately a direct function of social arrangements, implying that our market economy is a mere reflection of our current market society (Polanyi 2001: 52; 60). By this same principle, the nodes of hope for [re]embedding a moral economy in the 21st century lie in our continuous transitioning toward more moral societies.

Chapter 2 Contextualizing the Research Problem

“The fate of classes is more frequently determined by the needs of society than the fate of society is determined by the needs of classes” (Polanyi 2001: 159).

2.1 Justification and Relevance of this Research

Today, capitalism is compromised by its inability to effectively tackle the crises of the 20th century – dating back from the great depression, multiple global wars and their proxy derivatives -, the current global pandemic, rising inequality and the threat of exceeding planetary boundaries. This system’s morality was long ago obscured by power dynamics of exploitation and the alienation of individuals rendered “useless unless employed on a job or engaged in consumption” (Illich 1978:10). Growth has been found to be jobless and incapable of employing surplus labor, with inequality daily increasing by the concentration of wealth in the one percent of the population. This high inequality is detrimental to social cohesion and destabilizes the social order, implying additional costs to governments as they must spend more to ensure security, deriving in systemic inefficiencies in the allocation of resources (ECA et al. 2012: 6).

This research is fundamental on the certainty that crises and existential threats “engender intellectual paradigm shifts, and even systemic transformations in the economy and polity” (Murshed 2020:1). This is the case of moral economic alternatives, including projects for social, green or solidarity economies. These are gaining traction as counter-hegemonic movements striving to bring back social, communitarian and environmental values into capitalist processes (Utting 2015). This study is relevant because it seeks to explore the avenues for bringing back solidarity relations and moral considerations into the economy. By using a mixed methodology, it analyses existing economic and historical patterns to rethink an economic system in which moral, ethical and sustainable practices are inseparable from the concept of value.

The main contribution of this research is to synthesize the debate on the ‘moral economy’ to define this term, which currently lingers undetermined amidst other economic projects in vogue. Likewise, adding value by proposing a new discussion on the pathways for [re]embedding a moral economy today, focusing on social companies as an institutional actor with the potential to drive this movement forward. Hence, it can be useful for the critics and

defendants of capitalism alike, but especially to those in development studies, as we strive to deconstruct the workings of the system and envision new alternatives to positively transform it.

Finally, authors researching B Corporations refer that this type of hybrid organizations has been neglected in the literature (Tabares 2020; Stubbs 2017). This research also contributes to the emerging debate on this topic by gathering primary qualitative data on the insights and experiences of several Colombian B Corps. This, to examine the applied impact and limitations of this certification in fostering a moral economy in the country.

2.2 Methodology

This research employs a mixed methodology to address the following question: To what extent can a moral economy be [re]embedded in the economic system of the 21st century and what is the role of social companies — specifically B Corps - in achieving this goal? The first method used is documental research through a critical literature review on the moral economy in history and the origins of social enterprises. Its goal is to gain a holistic understanding of the moral economy and how it can be translated from an abstract idea into a reality. This objective leads to asking the following secondary questions: what is the working definition of a moral economy? and how do B Corps contribute to its realization?

Aiming to transcend a theoretical stance into practice, the second method is case-study research with qualitative primary data collection through interviews with executives or founders of B-certified companies operating in Colombia (see [Table 1](#)). The interviews were semi-structured, so the scope of the information was not limited by asking a strict number of questions and to “create a more natural environment conducive to an open and honest communication” (O’Leary 2004: 164). The interview preparation followed a basic questionnaire (see [Appendix 1](#)), tailored to the individual trajectory of each company and to obtain information on several matters. First, B Corp’s understanding of a moral economy and its applicability in the Colombian context. Second, the role of this certification in advancing its [re]embeddedness. Third, the scope and limitations that this certification, and social enterprises in general, have in accomplishing this goal.

In short, this methodology allows studying social companies as ‘nodes of hope’ where capitalism can be nurtured by being “juxtaposed with other economic forms normally assumed to be categorically different” (Amin 2009: 10). Rather than questioning their existence, exploring the space and possibilities they have in the current system to grow enough to

transform it. Hybrids are understood as institutional actors playing a key role in [re]embedding a moral economy.

Table 1 Interviewees for Case Study Research

Company	Interviewee	Industry	Remarks
Indeleble Social	Gina Montes, General Manager	Social consulting, focused on communitarian and sustainability projects	B-certified in May 2019. Their impact lies in their collaboration to make their partners more sustainable
Acción Verde	Jaime Soto, Founder and Legal Representative	Environmental consulting focused on reforestation services	While this was the first B-certified company in Colombia (2013), they migrated to a non-profit organizational structure in 2019. This case exposes the threats to the B certification in the Colombian market
De Lolita Café	Fernando Filevich, Founder and General Director	Coffee, bakery and restaurant franchise	Their impact is focused on the development of capabilities of their employees and partners
Los GoodFellas	Jorge Buendía, Good Brands Change Agent	Marketing and Communications Agency	Their impact is achieved through Good Brands, a communications product to turn clients into their best versions, leading the way to another economy
Sistema B	Camilo Ramírez, Executive Director Colombia	B Lab, certifier organization on B Corporations	They are the local subsidiary of B Lab, but they retain autonomy in tailoring the impact of this certification to the Colombian context, aiming to produce a systemic change
Co-School	Henry May, Founder	Socio-emotional education	Their impact is through education by working with headteachers and students in schools across the country to develop a socio-emotional curriculum
Arrocera la Esmeralda	Zoyla Salazar, Financial Manager	Agriculture, rice production	Their impact is through their work with farmers in technology transfer and cutting costs by eliminating pesticides and reducing water usage in their crops. They are the first Fair for Life [fair trade] certified company in Colombia (fairforlife.org 2021)
Bancolombia	Catalina Cano, Sustainability Specialist	Banking and Finance	Bancolombia is Colombia's leading financial institution and the most sustainable bank in the world (S&P Global 2021). While it is not a B certified company, its partnership with Sistema B proves that you do not have to be a B Corp to act like one

2.3 Scope and Limitations

This section reflects on the strengths and weaknesses of this research methodology. The empirical approach is limited by result transferability, given that the number of companies contacted was not nearly enough for statistical generalizations (Tabares 2020: 10). However, neither transferability nor generalizations were the goals of this method. Rather, to enrich the theoretical and conceptual frameworks prevalent in this study with real-life insights from a key player [B Corps] in the moral economy ecosystem.

Additionally, a potential source of bias encountered during the initial phase of this case study was that the interviewees were experts in their fields of impact but probably not in economics or philosophy. It was problematic to ask them about the moral economy and their role in [re]embedding it for several reasons. First, the ‘moral economy’ is a contested concept with no unified definition. Second, it is less known than the more in-vogue post-capitalist economic projects, such as circular, social or solidarity economies. Third, its understanding would be biased by the subjectivities of the interviewees.

To tackle this issue, respondents were asked how they understood the idea of a moral economy — if they had heard of it before — and the role that their company could [potentially] play in it, if any. This simple question was vital to allow them to reflect and share their insights on the moral economy, without assuming they all had the same conceptions. It also served to directly contrast their empirical understandings with the theoretical definitions given in previous chapters. Finally, it addressed this bias by shedding light on how well-versed interviewees were in economics.

The finding was that the B Corps’ leaders interviewed were all very fluent in the B certification’s processes, downsides and impact on the overall economy. Confirming that, despite the claim that this certification is often a marketing strategy, it mirrors the knowledges and aspirations of a new business class committed to leaving a positive legacy through their operations and convinced that a moral economy is possible. “I believe that there are very few leaders of B Corps that are not fully connected with the spirit of another economy, that breath and work for making it a reality” (Montes 2021).

Finally, the main limitation of this study can be explained in philosophical terms. From a stoic perspective, individuals only participate in the dynamics of their own reasoned choice — including economic systems —, because at the core, the only thing we control is our perspective and nothing about our rationality is outside its choosing (Epictetus in Holiday and Hanselman 2016: 247). Unless we are ignorant about what we do not know. There are many realities, scenarios and connections that the logic presented in this work misses and

that may hinder the applicability of the ideas hereby proposed. However, it is out of reasoned choice that even under a fallible logic, we must choose the perception that a moral economy is today possible.

This resonates with Utting's (2015: 5) claim that a more social and solidarity economy has greater potential to deliver sustainable utility maximization compared to the current capitalist system, but its scope is structurally constrained by present and historical power dynamics. Similarly, Coraggio refers that building another economy "involves mediated confrontations between power structures inherited from the neoliberal regime and the dispersion of popular forces with unacknowledged sectoral economic demands" (2015: 149). Realizing this potential is triple-conditioned: to a civil society with enough coherence and association to shape the future workings of state and economic power, in turn, dependent on the consolidation of solid institutional mechanisms that enable social empowerment but also resisting the deployment of mainstream — capitalist and neoliberal — power structures (Wright 2010: 92).

Ultimately, the economy and any socio-political system are imagined orders that allow big groups of people to collaborate toward common goals. In other words, "we believe in a particular order, not because it is true, but because believing in it enables us to cooperate effectively and forge a better society" (Harari 2014: 110). A moral economy is about envisioning another imagined order that is not forged by oppression or exploitation. We must make key decisions to set us in the right direction towards this goal.

2.4 Positionality and Research Bias

Objectivity as an epistemic value is not foolproof, especially when it relies on individual and subjective observations of the world. Hence, more than being committed to objectivity, this research pledges to "positional objectivity", which acknowledges the social positioning of economists in relation to a particular discourse" (Sen 1993 in Staveren 2007: 22). In other words, I am positionally biased toward analyzing if and to what extent a moral economy is a desirable and attainable alternative.

There is an important elephant in the room, or rather in the research, that I need to address in this section. I committed to writing this work as I would like to read it: a little more accessible than traditional economic and academic literature. Almost like a story. I am aware that this is problematic for at least two reasons. First, it is unusual for a master's thesis but, ultimately, this is a reflection of my learning process and this is how I feel most comfortable telling it. Second, there is a pervasive normative tone alternating throughout this

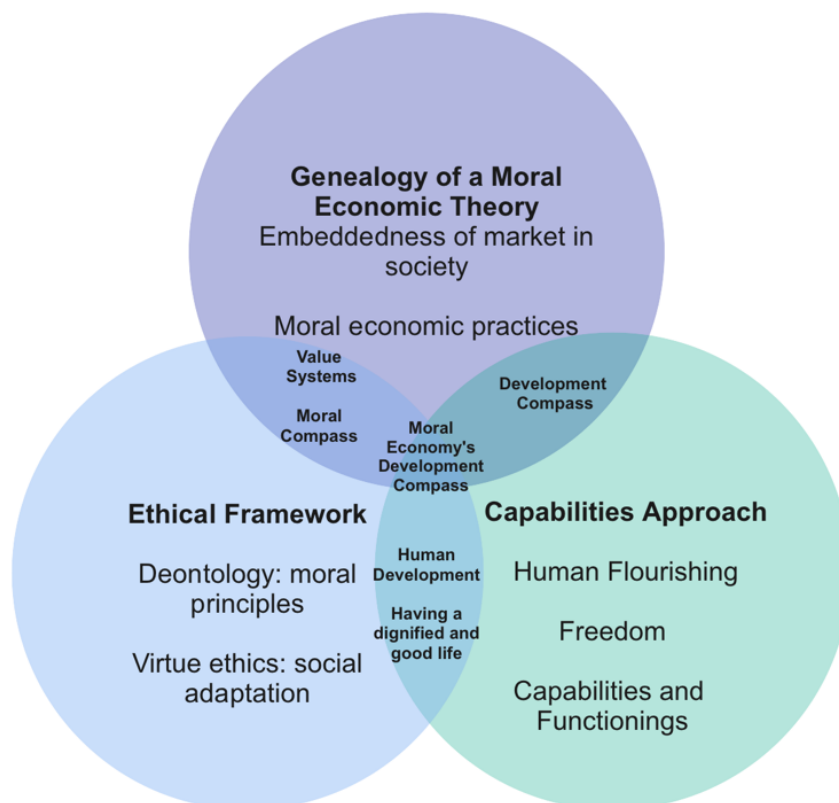
work that may hamper its objectivity. While I acknowledge this possibility and tried my best to minimize it, it is also inherent of any writing attempting to use a moral lens to describe reality, especially when the “economy can function only when certain normative requirements are fulfilled” (Staveren 2007: 24). It is simply inevitable to refer to how things ‘ought to be’ when advocating for a moral economy because the latter is about presenting an ideal state of things to aspire to. Similarly, I am aware that my writing tends to leave some connections in my argumentative logic implicit, as these are obvious to me. I strived to identify such cases and correct them, at the peril of being over-descriptive or redundant instead.

Finally, I believe it is important to address academic self-identification when touching on researchers’ positionally. I do not identify as an anti-capitalist nor as a socialist, which is important to mention since I lay a critic on capitalism in this work. While my primary studies were not in economics, I have specialized in this field, both during my BA and MA. I think of myself rather as an ‘economist advocate’. Or better said, a ‘moral economist advocate’. This means that I have a passion for economics and I seek to contribute to this field of studies from my academic and professional experience in international relations, publishing, communications, mining and development; striving to reconcile the existence of a moral economy within a capitalist context.

Chapter 3 Theoretical Approaches to the Moral Economy

3.1 Theoretical Framework: A Moral Economy's Development Compass

Figure 1 Snapshot of the Theoretical Framework



Source: illustrated by the author

The purpose of this section is to introduce and contextualize the three theoretical approaches used in this research, which will be elaborated in detail below. Figure 1 depicts how these intersect, enabling a theoretical gaze with different outcomes depending on each junction. Firstly, the combination of the ethical and moral theories refers to economic value systems. These provide a moral compass by defining the principles of what is moral in the economy and accounting for a trial-and-error process in the adaptation of socio-economic norms and institutions. Secondly, the ethical framework links to the capabilities approach in the goal of promoting human flourishing and the conditions for living a dignified and good life. Finally,

the capabilities approach and the moral economic theory provide a compass guiding and targeting development outcomes, specifically concerning economic practices that create human capabilities. All together, these provide the Moral Economy's Development Compass directing and sustaining this work.

Summarizing, the theoretical framework used in this research “aims to develop moral theories that are not committed to a single metaphysical world-view or religious foundation but are compatible with various perspectives” (Kleyst 2021). The outcome is a concise, flexible and substantive “theory of morality that accommodates pluralism” to address cross-border moral differences (Ibid). This is vital to tackle the abovementioned potential bias of developing a moral economic project that cannot realistically be applied in certain global contexts.

3.1.1 Ethical Framework

Talking about morality is inherently related to ethics because it is according to the ethical lens used that the ‘moral’ choice is defined. For example, in Utilitarianism the moral choice is that which generates a net utility gain for the greatest number of individuals (Becker 1996 in Staveren 2007: 22). Conversely, Kantian ethics or Deontology is about following a set of prescribed rules that are said to be an expression of universal reason and thus the duty of the human will; expressing a “morality of principles, not of consequences” (Staveren 2007: 23). It is easy to resonate with the beauty and intention of such moral principles but in real life and economics, not all choices are dependent on individual will, causing conflict and barriers to the applicability of these rules.

The diversity of ethical stances implies that choosing one ethical lens is problematic – especially in postmodernity, in which ethics are often perceived as subjective –, because making this choice excludes other interpretations of what is ‘moral’. To solve this problem, this research relies on the international community’s consensus on the *Universal Declaration of Human Rights* (United Nations 2021) as a set of Deontological pillars expressing our moral duty as humans and the principles that will guarantee welfare access to the greatest number of people possible, at least in theory. These rights transcend mere good intentions into practice through multiple treaties and legislations expressing the will and good faith of the international community. For the scope of this work, the *Sustainable Development Goals* promoted by the United Nations’ Agenda for 2030 inform this theoretical framework as a concrete set of targets instrumentalizing the UDHR (United Nations 2018). Specifically, regarding the analysis of how social companies are working toward a moral economy. Also linked to the

case study on B Corps, given that the B Certification is closely interlinked in nature to the measurement and reporting on attaining SDGs. This connection will be further detailed in Chapter 4.

Accordingly, Deontology is a theoretical lens used throughout this research to define human's moral duties, as in the UDHR. However, it is also necessary to examine the extent to which B Corps' behavior supports these rights in different global contexts. For this purpose, this analysis is also informed by Virtue or Aristotelean ethics, as it prioritizes a balance between duties and consequences, at the same time accounting for the context and relations to which agents are subjected when making the 'good' choice. Following this ethical stance, morality is materialized, transcending an abstract principle into the context of social life, marked both by motivations and reason. In other words,

“Virtue ethics acknowledges that the good has no universal standard, and that moral behavior is imperfect and continuously adapting to changing social circumstances. It is guided by the values that are shared and contested in communities, supporting these values through a trial-and-error process, but recognizing that values are fallible and that we can never reach perfect virtue” (Staveren 2007: 26-27).

The usefulness of this approach in this research is that it recognizes that our societies and economies are ever-changing and imperfect. A moral economy is not about achieving a perfect economy but understanding that the 'good' economy is made up of the individual choices daily undertaken by all the agents involved, who add up to a collective expression of the adaptive process to find and test the values that can nurture a fairer economy. At the same time, with the full knowledge that these principles will change as will do our circumstances.

In short, this research borrows from two ethical theories. First, Deontology to define the universal principles according to which is possible to agree on international definitions of morality. Second, Virtue ethics to maintain the framework's adaptability to different global contexts but also changing historical circumstances.

3.1.2 Genealogy of a Moral Economic Theory

This section presents the state of the art on the moral economy's debate, a fundamental theoretical framework for this research. Because the moral economy is an interdependent realm related to many other systems, its theoretical genealogy is comprehensive. As this narrative would be incomplete without at least addressing them, this chapter also gives a brief recount of some of the ideas necessary for sketching a portrait of how a moral economy would look like in the 21st century.

The pioneer for using the term was Thompson (1971) when talking about the impoverishment of the peasants in 18th century England. Many other authors appropriated the concept — such as Gotz (2015) and Carrier (2018) — with a review of his arguments and constituting a moral economy genealogy (Edelman 2012). Scott’s work (1976) is perhaps the most closely related to Thompson’s understanding of the moral economy but focuses more on production values and conflicted class relations, linking it to a Marxist critique of the political economy.

The philosophical study of the moral economy in the academic literature was soon replaced by an assessment of the moral economies, usually referring to agricultural communities and their value systems. However, this prolific set of academic papers generally lacked a conceptual definition of the term and received strong criticisms for idealizing rural life (Moreno-Tejada 2020). For example, in his later review of his initial work, Thompson (1991) warned that values alone could not define the moral economy because then every value system could imply a subjective moral economy of its own. Conversely, a moral economic theory should “include ideal models of ideology (just as political economy does), which assigns economic roles and endorses customary practices (an ‘alternative’ economics), in particular balance of class social forces” (Thompson 1991 in Edelman 2012: 60).

Before Thompson, one of the main contributors in relating the moral and economic realms was Smith in his *Theory of Moral Sentiments* (1790). Radical reformers such as Burch also used the term widely to present a divine universal order rooted in the essence of God’s free will to humans (Gotz 2015: 150). Likewise, all religions have embedded a moral duty to the economy, often related to the concept of fairness applied to pricing considerations; being Christianity the most abundant in its academic critique of capitalism on moral claims (Moreno-Tejada 2020). For example, Tawney advocated for a moral economy from economic ethics and Christian socialism. More recently, the moral economy has been revived by non-governmental organizations working in development, such as *Doctors Without Borders*, to establish the “economic priorities on changing structures of feeling about human suffering” (Gotz 2015: 158).

Summarizing, the moral economy is a common term in academic literature. However, there is no unified definition of it because the concept is continuously revisited depending on specific contexts. After Thompson popularized the notion, other authors followed with recounts of moral economies focused on specific case studies, for example in peasant or indigenous communities with their own values systems for their economies. Together, these constitute the genealogy of the moral economic theory.

3.1.3 Capabilities Approach

The capabilities approach is a flexible and multipurpose theoretical framework informing this research from a development economics perspective and on account of two of its main normative premises: “first, the claim that the freedom to achieve well-being is of primary moral importance and, second, that well-being should be understood in terms of people’s capabilities and functioning’s” (Robeyns and Morten 2021). In a moral economy, the capability to function is the goal of economic development, instead of growth or wealth, as a “means to human welfare and freedom” (Sen in Todaro and Smith 2015: 18).

The traditional utilitarian perspective of a market economy transcends to the democratization of an economy in which individuals develop capabilities and obtain functionings from their economic activities. Well-being and development are understood and measured beyond traditional capitalist indicators such as Gross Domestic Product or income per capita. For example, in terms of accessibility to opportunities and freedom to choose from which ones to benefit, environmental wellbeing or socio-economic inclusion. Chapter 4 expands on these ideas, regarding the role of B Corps in developing capabilities in their stakeholders.

Finally, the capabilities approach is a fundamental component of this theoretical framework because it defines the notion of development that a moral economy strives to advance. That is: “the process of improving the quality of all human lives and capabilities by raising people’s levels of living, self-esteem, and freedom” (Smith and Todaro 2015: 5).

3.2 Conceptual Framework and Beyond

This section describes the conceptual foundations of this research. Its purpose goes beyond enumerating concepts by providing a historical narrative on the topic and its importance. It also introduces some of this research’s findings from a theoretical perspective, addressing the ‘how’ to [re]embed a moral economy in the 21st century.

3.2.1 Defining the Moral Economy

The moral economy remains an elusive concept because the language used to define it must be constantly updated to changing historical contexts. By borrowing from different authors and economic projects, this research presents a definition tailored to the 21st century. Today, the moral economy englobes various economic projects rooted in moral values, encompassing initiatives for social, green, solidarity and cooperative economies, among others. All of these constitute moral economies, because “they all have rules about what is claimed to be

justifiable regarding who should do, get, or control, what [...] also examining moral influences on, and moral consequences of, economic practices” (Sayer 2018: 5).

A moral economy is grounded on a sense of obligation to do right by the other (Carrier 2018: 18). As individuals transact with each other, this moral obligation strengthens through a sense of reciprocity that fosters trust between the parties involved in the exchange process. The consensus upon these obligations gradually becomes a set of social norms subjectively validated, regarding the roles that the actors involved in the community have and thus legitimizing their economic practices (Thompson 1971: 79). These social norms are embedded in collective moral assumptions ascribing normative meanings to social transfers of wealth, particularly toward the poor and vulnerable (Mau 2003: 31). Furthermore, the obligations of the moral economy are not only toward the direct actors with which a given individual exchanges, but also the community in general. This idea of ‘fraternity’ goes back to the French Revolution and the quest to prioritize the *Volunté generale* (civil will) to impose a democratic economic order (Rousseau in Gotz 2015: 150), empowering civil society.

In doing so, a moral economy offers new pathways for civil society’s empowerment in deciding on the organization of economic activity — such as production and value creation, among others (Wright 2010: 90) -, instead of being at its mercy. Its advocates, including myself, often believe that its scaling will allow reconciling the heartless economic rationality with moral and value considerations, delivering “alternative ways of ‘utility maximization’ through the construction of altruistic meaning for economic transactions” (Gotz 2015: 147).

In brief, the moral economy encompasses a set of counter-hegemonic economic movements related to “values and objectives of [re]embedding markets and enterprise practices in social and environmental norms and reinvigorating the role of communities and citizens in the economy and policy” (Utting 2015: 8). Its primary purpose is to prioritize collective interest and impact over pure profit, democratizing the choice of which economic practices to follow (Defourny et al. 1999 in Laville 2015: 48-49). But this does not mean that it neglects profits. As it will be further elaborated in Chapter 4, social enterprises are a key actor [re]embedding a moral economy while also remaining profitable businesses, benefiting from the social license to operate and from a growing set of legislative and tax tailwinds for their sustainable practices.

3.2.2 Disembeddedness of the Moral Economy

The previous section sketched a conceptual definition of the moral economy. For this framework to be useful beyond a theoretical level, it is key to instrumentalize its applicability in the

context of this study, as will be done in the following chapters. Before, it is key to understand what a moral economy promises to add to the current economic order. Doing so entails addressing the role of capitalism in disembedding it and examining this system's contradictions as the reasons why it should be [re]embedded.

There are two main historical events referred in the literature as rupture points between morality and the economy. Both occurred in England: the Enclosure of the Commons and the Industrial Revolution. The first took from the people the rights to subsist from the environment, on which a "moral economy of survival had been based" (Illich 1983: 3); redefining the notion of community and its local autonomy. The second broke down the moral economy of provision, subjecting people to "the new political economy of the free market" (Thompson 1971: 136). In the comprehensive human timeline that Harari made in *Sapiens*, the Industrial Revolution is presented as the period in which "family and community are replaced by state and market. Massive extinction of plants and animals" (2014: viii).

Zooming in, the Enclosure of the Commons took place gradually in England during many centuries, but its culmination occurred in the 18th century. With it, a new ecological order emerged, characterized by land transfers from the poor to the rich and the ultimate impoverishment of the peasants. The enclosure was supposed to make sense economically on the claim of increasing returns on land, as enclosed "land was worth double and treble the unenclosed. Where tillage was maintained, employment did not fall off, and the food supply markedly increased. The yield of the land manifestly increased, especially where the land was let" (Polanyi 2001:36).

However, besides increasing returns for landowners, the general population was left worst-off, inaugurating a new mindset based on the commodification and exploitation of labor and the environment. Therefore, this period is known as the invention of poverty (Illich 1983: 2) and the "revolution of the rich against the poor" (Polanyi 2001: 37). In ratifying the social strata division, it fostered a prevalent disposition, persistent today, to emulate the 'rich' and neglect or demise the 'poor', which according to Smith is the "great and most universal cause of the corruption of our moral sentiments" (1982: 61).

The disappearance of the Commons was the beginning of the great transformation that would be completed with the Industrial Revolution and the predominance of a self-regulated market (Polanyi 2001). The use of machines triggered dynamics in which merchants undertook the modification of raw materials through technology to create new final products. As this unprecedented enterprise implied a high risk, merchants needed some certainty to shield their investment. The condition was simple: all inputs had to be for sale in the

amounts required. All inputs. As labor is —or used to be – the sole input for value creation (Marx in Wright 2010: 59), this premise engrained the commodification of labor.

It is key to mention that it was only because of the intervention of the state, through the central government — in this case, the Tudors and later the Stuarts (Polanyi 2001: 40) – that the victims of this historical process could be relieved from its consequences enough to survive it. Hence, the state, partly but not entirely through social protection, enabled the consolidation of the self-regulated market. This fact questions the idea of a complete market economy because there is always something outside the market sustaining its *laissez-faire*.

Additionally, while social protection was vital in ensuring that society — especially marginalized groups – would survive the great transformation, it was soon annihilated by the latter’s dynamics. Once the metamorphosis into a market economy was completed, nothing could interfere with the formation of markets. By this premise, all income should be derived from sales (Polanyi 2001: 72), triggering the end of the welfare state in England during the 19th century. Social protection was accused of being detrimental to the market functioning, despite being fundamental for social wellbeing and economic stability, working as a bumper in times of crises to soften the blow of cyclical downturns.

Summarizing, the disembeddedness of the moral economy is historically traced back to the Enclosure of the Commons and the Industrial Revolution. In examining how to [re]embedd it, social protection is especially relevant because it is the principle used by Polanyi (2001: 138) to articulate the notion of a double movement between a society whose organization oscillates in a pendulum swinging from embedded to a disembedded market. On one side of it lies economic liberalism advancing the project of a self-regulated market. On the other, the principle of social protection, described as the “conservation of man and nature as well as productive organization” (ibid), prevents the alienation of humans from the inherently social — and of their creation - economic life.

Today, social protection is recognized as a human right (UDHR 1948). This rights-based approach implies that it is binding and not optional for governments. Most countries have some sort of social protection mechanisms, but these usually work through ‘floors’, implying that they apply only to people below certain vulnerability standards and requiring intricate bureaucratic processes to access them. The gaps in the implementation of social protection mechanisms are “responsible for excess transient poverty and [...] for chronic poverty, especially in situations where the coping strategies available to those below or near the poverty line are limited and, as a result, they are forced to adopt alternatives with detrimental long-run effects” (Barrientos and Hulme: 444). Increasing the coverage of social

protection is crucial for allowing social mobility between classes, but also within them, allowing individuals to have better access to opportunities for living a purposeful existence. Furthermore, to amend the impoverishment and commodification resulting from the described great transformation, enabling the [re]embedding of a moral economy.

3.2.3 The Capitalist Market and the Prophecy of its Extinction

Capitalism is the hegemonic expression of the market today. Its main objective as an exchange mechanism is to coordinate supply and demand so buyers and sellers can profit from their transactions (Staveren 2020: 2). A moral economy proposes that ‘profit’ should not be the only consideration in measuring the efficacy of the market. It is time to demand more from it.

To understand how to [re]embed a moral economy it is important to be pragmatic, answering why it was disembedded in the first place, acknowledging that the *laissez-faire* was necessary for the context in which it emerged. The self-regulating market of the 18th century worked by maximizing “the satisfaction of all parties and establish the common good. The market was never better regulated than when it was left to regulate itself” (Thompson 1971: 90). For example, it ensured the rationing of scarce resources like corn in times of drought. Higher prices harmed especially the vulnerable population by making food unaffordable, but at the same time prevented a generalized famine.

Recognizing ‘why’ neoliberalism made sense when it emerged is key to envision how to readjust or rebuild this model, tailoring it to the needs of our time. Back then, humankind needed to explore the possibilities of a market economy to test its logic. Today, we are aware of its bounties and dangers, so it is time to reevaluate how to nurture it from a moral economy. A good start when assessing the future of capitalism, either to propose ‘post’ or ‘neo’ alternatives, is to examine its systemic contradictions to understand why thinkers such as Marx found it to be unsustainable in the long-term. For example, Wright identifies six concrete sources of inefficiency: “1. The underproduction of public goods; 2. The underpricing of natural resources; 3. Negative externalities; 4. Monitoring and enforcing market contracts; 5. Pathologies of intellectual property rights; 6. The costs of inequality” (2010: 27). The next sections elaborate on other examples, building the case for the moral economy.

a. The Fallacy of Perfect Competition

There are two dimensions at capitalism’s core: the market as the mechanism for economic coordination and the division of labor shaping class relations (Wright 2010: 22). This system is engrained in a drive for accumulation, profits and consumerism that orchestrates the so-

called ‘perfect competition’ of markets. To survive, firms must innovate to be more competitive by being efficient in production. There are two paths for achieving this efficiency: producing more with the same or the same with less. In practice, the inherent bias of capitalism for consumption leads to producing more and more, driving the eventual depletion of finite earthly resources (Wright 2010: 44).

Ultimately, this is the problem of growth. Productivity is not the issue, but rather the path for achieving productive efficiency that traditional firms consciously chose to be competitive. To what extent and how can this systematic bias be corrected? This question pushes us to consider new ways of doing business, as addressed in Chapter 4 regarding social enterprises as a node of hope for a moral economic order.

Perfect competition is detrimental to the moral economy for at least three reasons. First, as explained above, it leads to overexploitation because firms are driven to seek efficiency by producing more with scarce resources instead of producing the same with less. Second, this competition derives in winners and losers and “since there are strong tendencies for the effects of winning and losing to be cumulative within individual lives and to have an impact on the next generation, in the absence of countervailing mechanisms inequalities in the market will tend to intensify over time” (Wright 2010: 31). Third, the innovation process is driven by technological change, entailing that human capital is ever updating to keep up with new skills. However, capitalists have less incentive to invest in the training of older people because their return in time is less, so generations gradually become obsolete or replaced by artificial intelligence. The quicker the change, the faster [younger] the programmed obsolescence of human capital becomes.

b. The Obsolescence of Technological Change and the Need to Need

In the 21st century, technological change has increased exponentially and at an unimagined speed, partly but not entirely because firms are under constant pressure to innovate to survive. Polanyi warned about the dislocations that this machine age entailed in transforming “natural and human substance of society into commodities [...] The dislocation caused by such devices disjoins man’s relationships and threatens his natural habitat with annihilation” (2001: 44).

As abovementioned, technological change results in the need to train human capital in the skills required to keep up with digitalization. As innovation increases exponentially, it is more profitable for firms to invest in developing their youngest human capital, because they will be economically active for more years and yield a higher ROI on training. Obsolescence

of human capital will be unavoidable because the fastest the rate of change, the sooner generations become outdated.

Likewise, technological progress implies human capital's forced displacement because the labor ratio to total output decreases, being replaced by artificial intelligence (Milanovic 2016). This is a problematic systemic inefficiency because this labor becomes unproductive but costly to a system that 'should' ensure its provision instead. As it is only a matter of time before millennials and the generations to come are removed from the workforce, there is a collective stake in bringing the moral economy back. Social protection is going to play a protagonist role in preventing or repurposing the 'early' generational exit from economic life and in combating rising inequality, as will be explained in the next item of this section. What is more, beyond a generational perspective, humans are ceasing to be the most important factor of production. To adapt to this new scenario, it is key to start by rejecting "the dogma that you have to work for a living. The richer we as a society become, the less effective the labor market will be at distributing prosperity" (Bregman 2017: 199).

This problem can be solved in the equation for a moral economy. Replacing labor for technology can be the needed opportunity for finding a new purpose and utility for human capital — for you, for me, for us -, through the retaking of our communitarian roles. This vision is not that of a world fully run by robots in which humans can exist in leisure. On the contrary, it is one in which we stop being the victims of technological displacement and use it to our benefit. If we, as a species, have driven forward this great technological innovation, there is no reason to believe that we cannot invent the right mechanism to redistribute production between humans and machines and start distributing value amongst us all more equally, so time and resources are freed for everyone to be productive from our real talents, contributing to society and our communities from our true self.

Technological obsolescence caused by continuous innovation is also problematic because old things are discarded for new things. This derives in the constant demand for more resources, fomenting over consumption and overexploitation, instead of repairing, recycling and reusing. This bias has contributed to articulating the economy in terms of 'needs'.

“[T]he needs that the rain dance of development kindled not only justified the despoliation and poisoning of the earth; they also acted on a deeper level. They transmogrified human nature. They reshaped the mind and senses of *Homo sapiens* into those of *Homo miserabilis*” (Illich 1992: 95).

But the blame is not on innovation, because it has proven to be crucial in advancing human development by leading to discoveries that cure diseases, interconnect the world and even allow us to gaze at the universe. Yet, as it solves some problems, it also creates others. It is

important to be aware of its benefits, to potentialize them, and of its downsides, to mitigate them.

In a moral economy innovation and technological change are means for achieving higher welfare levels for all, rather than an end. What is more, it is a moral standpoint that allows the discussion for ethical considerations when driving innovations. For example, medical advancements are regulated by bioethics to guarantee that patients are protected by a moral framework. It should be no different for technological advancements and their impacts, not only in our economies but also in the substance of our social values.

c. The Problem of Unequal Growth and Human Suffering

Polanyi remarkably said that “a market economy can only exist in a market society” (2001: 75). Perhaps there was faith in this ‘capitalist’ dream for a while, after all, it did succeed in decreasing the percentage of people living under extreme poverty from 84 percent in 1829 to less than 10 percent today (Bregman 2017: 1). But the failures of the neoliberal system in bridging inequality and protecting the environment through the promise of economic growth have us questioning what kind of society we are today and want to become tomorrow.

Inequality has always existed and probably ever will. Just like mild viruses are necessary for any organism to develop defenses, ‘mild’ inequality can be beneficial if “an outcome of incentivization mechanisms, and as a reward to risk taking, effort and prudential decision making” (Murshed 2020: 3). However, where is the line between mild and severe, beneficial and detrimental drawn? When inequality hinders access to opportunities it becomes a problematic systemic inefficiency, that today is affecting developing and developed countries simultaneously. For example, income inequality in the global North has increased up to 20 percent in the past four decades (Milanovic 2016). One of the key causes found for this phenomenon is labor-saving technical progress (Murshed 2020), again referring to the severity of human capital obsolescence due to technological change.

This evidence suggests that capitalist growth has proven to be jobless, failing to absorb surplus labor through the formal economy, driving millions of economically active populations to seek a livelihood in the informal sector (Utting 2015: 8). Currently, around 61 percent of the global economy is informal (International Labor Organization 2020). Such informality is problematic to the system, among many reasons, because it hampers tax collection, impacting directly in government expenditure and, in extreme cases, contracting social investment in the economy. As a result, hindering access to the social protection mechanisms guaranteed in the formal sector, which further constraints these people’s life opportunities.

Inequality is also problematic because it endangers future consumption. While production may be secured by expanding the capital ratio to total output, supply ultimately is a function of demand and demand will fall in a system in which income fluctuates in informality. As people recur to debt to maintain their consumption somewhat steady, their potential need to default on their credit, collectively, exposes a potential financial crisis, again menacing social cohesion and systemic stability.

Solving this problem starts with governments increasing investment in social protection. The case of universal basic income is widely discussed in the academia and public sector. This solution may create an initial budget deficit, but it would eventually repay itself if the investment was sufficiently productive to generate future income to cover its debt, as social protection is, especially if measuring such productivity in terms of human flourishing or welfare levels. But this will not be enough in the long term. Therefore, it is vital to aspire and transition to a more moral economy in which the solution is not to redistribute but to enable mechanisms for a fairer distribution as the departure point.

Summarizing, capitalism has incredibly succeeded in creating material wealth, but it lacks mechanisms for its fair distribution, resulting in increasing inequality. In other words, “it is precisely because capitalism creates the potential to eliminate material deprivation but cannot itself fully actualize that potential that it can be indicted for perpetuating eliminable forms of human suffering” (Wright 2010: 31). Any economic project rooted in ‘moral’ practices would need to address the problem of inequality, starting with redistribution but aiming to equal distribution as the norm and not the exception, between humans and humans [machines]. Not only because it is the ‘right’ thing to do, but also because a moral economy is rooted in a communitarian base woven on solidarity bonds. Inequality erodes the social fabric, fostering social instability and conflict. Addressing these, costs additional resources, making the system inefficient financially, also wasting human capital and other assets (Wright 2010: 43).

d. The Promise of Freedom and Participation

Theoretically, the ability to buy, invest and work are voluntary choices in the capitalist system, being freedom the utmost capitalist value. However, theory differs from practice as “‘real freedom’ consists in the effective capacity of people to act on their life plans, to be in a position to actually make the choices which matter to them” (Wright 2010: 34). This is simply not possible for everybody today.

Firstly, because this logic is based on the premise that “every participant in the market must have sufficient resources that are in demand” (Staveren 2020: 1). This condition is rarely

met by most of the global population. In an economy driven by the accumulation of money and material wealth, those with limited to no-access to cash cannot act under economic logic, nor be active members of the economy or guarantee their subsistence from it (Illich 1992: 102). Secondly, because capitalist firms are profit-maximizers in nature, always seeking to minimize costs by displacing them on others (Ibid). For example, unaddressed negative externalities to avoid additional financial burdens impinge capitalism's value for freedom but also injure liberal ideas of social justice.

In short, capitalism is contradicted by having freedom as its main value when its practices systematically constrain freedom, deriving in economic inclusion problems and imposing negative externalities on participants without giving them the mechanisms to fight this imposition. Freedom, in turn, is the main goal of an economy focused on developing human capabilities and translating these into functionings. As the current system is incapable of consistently promoting freedom for all individuals, it is thus inefficient generating capabilities. Other economic alternatives must be pursued to fulfill this goal, logically reaffirming the need for a moral economy.

e. The Need for Revision

One of the central theses supporting the case for capitalism is that — as its name states — it tends to increase capital intensity and thus self-reproduces by the capitalization of markets. Marx retorted the impossibility of this postulate with the “law of the falling tendency of the rate of profit” (Marx in Wright 2010: 59). According to it, all value is directly linked to the amount of labor employed in production and as labor tends to be replaced by capital, the rate of value in capitalism falls over time. This law is based on an outdated premise: that only labor creates value, which is no longer the case today. Financial markets do not depend on labor to create value. More examples could be given, but just as in a geometric proof, only one is needed to discard a hypothesis. The intention is not to say that Marx was wrong, but that he was not a fortune-teller. He could not have known the impact that technological change would have on this postulate or the creation of value.

This is a great lead for several findings. First, it reaffirms that every theory can only be right or wrong, accurate or inaccurate, at a given context in time. Second, if theories are time-bounded, they must not aspire to account for all reality but only for that of their circumstances and be reviewed as these change. The first machine age was the industrial revolution and the second is taking place in the 21st century with the rise of artificial intelligence. No time is better for this revision than now, given the exponential rate of both technological and climate change.

At this historical crossroad, it is vital to turn our current crises into opportunities for making new choices and devising a more inclusive system. To stop thinking about endless expansion and rather question the right levels of growth for companies, profits and turnovers. “These are moral choices that you can’t leave to ‘the system’, but that you make with the different collaborating people and organizations within that system. Only then can you shift to an economy that represents life” (Spaas 2020: 39).

3.2.4 On for-Profits, Charities and Hybrids

As aforementioned, our societies are constantly awakening to the reality that climate change is real and that the present capitalist model based on growth is not sustainable, but rather a powerful mirage driving humans and all species to the abyss of planetary boundaries. Hence, in the 21st century companies solely pursuing a profit-driven business model are dangerous. To better understand these changing circumstances, it is useful to go back to Adam Smith’s (2007) idea of the ‘enlightened self-interest’. The latter claims that it is in the egoism of economic actors that social benefit will be delivered through their quest for efficiency and utility maximization deriving in spillover effects for others around. It is out of an ‘enlightened self-interest’ that the vital need for sustainability is increasingly urging firms to prioritize social impact to be profitable, achieved by minimizing negative externalities and enhancing positive ones to society but also the environment. The latter is perceived as another stakeholder involved instead of a mere input.

In this context, hybrid business models arise as an amalgam of impact-driven ventures that subordinate profit generation to the mission of solving social problems through impact, at least in theory (Smith et al. 2013 in Stubbs 2017: 299). Some research findings show that the combination of impact and profit drivers in the same organization makes hybrids highly unstable, often hindering their success, partly because their social and sustainability initiatives are reduced or even eliminated if the desired profit levels are not achieved (Stubbs 2017: 300; 306). Building a consistent organizational identity based on the conviction that a balance between profit and impact is attainable is key to making hybrids overcome this challenge and thrive. This is important because they have the potential to be that much-needed bridge between traditional business models and charity organizations.

Hybrids’ main characteristics are: 1. competing based on product or service quality instead of price; 2. developing closer relations with employees and stakeholders, forged on mutual benefit for all parties; and 3. that their growth goals are limited instead of eternal (Boyd et al. 2009 in Stubbs 2017: 301). They are also meant to use these features to influence

other market actors, contributing to [re]embed a moral economy through a contagion effect. Their work is engrained in moral practices that they seek to establish as the new business-as-usual norm and in doing so they produce and reproduce a moral business ecosystem.

However, the legitimacy of these initiatives is widely questioned on the claim that their resulting ‘radical change’ is dubious. This accusation led to the creation of multiple certifications that establish rating standards for assessing businesses and attesting to their social commitments. This research focuses specifically on B Corps, a type of hybrid organization, whose impact is certified by the American non-profit B Lab. The “B Corp model has a socially and environmentally embedded mission and purpose, with a dominant objective of creating positive societal impacts for its stakeholders rather than maximizing profit” (Stubbs 2017: 299). Once the ‘purpose’ of a given company is voluntarily defined, it must remain unchanged for it to keep the certification, renewed every two years (Tabares 2020: 2), seeking to make social obligations binding.

To track if companies’ efforts transcend a marketing strategy, B Lab created the SDGs Action Manager. This tool can be used by B Corps and UN Global Compact – the United Nations initiative for “advancing UN goals and values through responsible corporate practices” (2021) – signatories. The information provided by this reporting mechanism shows that social companies engage and contribute more actively toward “Goal 1. No Poverty, Goal 8. Decent Work and Economic Growth, and Goal 12. Responsible Consumption and Production. [Conversely] The least engaged SDGs are Goal 4. Quality Education, Goal 14. Life Below Water, and Goal 15. Life on Land” (Bradley et al. 2021: 10). As SDGs link the triple impact of social companies –and specifically of B Corps – to fighting global issues, they inform this theoretical framework by allowing to define what constitutes ‘moral action’ in corporate practices.

Chapter 4 Empirical Framework: Case Study

“Homo Economicus makes choices based on self-interest. But humans are social, not economic, animals. You can see that in the movement of the social and sustainability-oriented entrepreneurs who chose to take care of the bigger picture. They bring the moral compass back into the entrepreneurial world. They work together in the same building to make each other and their environment stronger” (Spaas 2020: 39).

The previous chapters discussed the perilous inefficiencies and contradictions of capitalism. It is easy to be pessimistic on the verge of planetary boundaries, but there is always a silver lining. This research developed a case study on B Corps in Colombia to examine their role, if any, in [re]embedding a moral economy in practice. This chapter presents the main findings of this methodology, also contrasting them with the outcomes of the theoretical framework.

It made sense to choose a Latin American country, as historically “the Americas were a great laboratory of evolutionary experimentation, a place where animals and plants unknown in Africa and Asia had evolved and thrived” (Harari 2014: 71). Today this region can again be the perfect space to test and develop a moral economic project. Regarding the choice of Colombia, my positionality as a Colombian is involved, but is not the only reason. Since 2018, the government has passed laws to judicially sustain and foster Collective Benefit and Interest Companies (BICs), challenging traditional [capitalist] business practices. This makes the country an interesting specimen to analyze the impact of national legislation on B Corps. Similarly, according to Tabares (2020), Colombian B Corps are especially committed to fighting agricultural, corruption, environmental, labor and sustainability social problems. Finally, Colombia is a great country for this case study as most of its consumers demand corporate sustainability. Nielsen’s (2018) global online survey found that 96% of the Colombian respondents extremely value environmental and social programs implemented by the companies they purchase from.

4.1 Emerging Perspectives from Colombian B Corps

The B Corp certification was developed by the United States non-profit B Lab in 2006, to promote companies operating with a triple-impact: economic, social and environmental. Afterward, the organization expanded to other regions but its subsidiaries retained certain autonomy to have their work tailored to each specific context. In Latin America, Sistema B was created in 2012 as a sister organization with the same values as B Lab but working

multidisciplinary with the academia, the business sector and governments to drive a systemic change. Today there are approximately 70 B Corps in Colombia, 800 in Latin America and more than 4,000 globally, creating an impact across 153 industries in 77 countries (Ramírez 2021; B Lab 2021).

Social enterprises are all about leaving a positive legacy. When transitioning from for-profit to for-impact, companies are generally categorized as follows. First, those that do not have a ‘higher [moral] purpose’ but want to have one, seeking to transform themselves through the question: what should we leave to the world? Second, those that believe they have a ‘higher purpose’ but in practice do not, because they are not contributing to solving any global issues. Third, those that have a ‘higher purpose’ but do not back it up with an impactful business model. These often operate through ‘green washing’ because they have a clear purpose in their discourse, but it is not translated into practice. Fourth, those with an articulated moral purpose but that do not communicate it effectively and therefore are not leveraging it with their stakeholders (Buendia 2021).

Accordingly, the transition toward becoming a social enterprise is a nuanced organizational process. The B certification seeks to help companies ease it, while also providing warrantee to stakeholders that they are not being ‘green washed’ by organizations with an impact discourse that is not instrumentalized in practice. The primary data collection for this case-study indicates several commonalities experienced by B Corps regarding their perceived role in [re]embedding a moral economy. In Colombia, these pertain to the spirit of a new business ecosystem with a focus on stakeholders and asking the right questions, to innovate in value creation by considering fair pricing, in turn promoting a change in social values, while being challenged by scalability in capitalism and threatened by mistrust.

4.1.1 The Spirit of a New Business Ecosystem

B Lab provides an impact assessment methodology for companies to manage their footprint. Likewise, it collaborated with UN Global Compact to develop a platform where companies can relate this impact to the advancement of SDGs. As abovementioned, this is important because it allows measuring impact according to a set of internationally agreed objectives, providing a sense of what ‘moral’ action is in corporate practices. A firm does not have to be B-certified to use or access these tools. While there are only about 4,000 B Corps in the world, more than 50,000 companies are using the same standards to create a positive impact in relation to the SDGs (B Lab 2021).

These companies share similar values and ethical practices, rooted in a generalized empathy for social problems, which contributes to the creation of a collaborative spirit. To foster it, B Lab transcends a mere certification into a network integrating a global ecosystem where the moral economy is being [re]embedded from the DNA of organizations with a clear purpose and striving to be profitable by operating sustainably. The consolidation of this new business web is a clear node of hope for [re]embedding the moral economy because it allows social enterprises to share experiences, generating a culture of impact-driven businesses. Also fostering a ‘contagion’ effect, leading other organizations by example to add to the moral economy from their fields of expertise. In practice, this entails that companies operating in seemingly different and unrelated industries are collaborating toward the same goal from multiple trenches.

Following, social companies cannot attain the systemic change they seek by operating alone. The networking generated by B Lab in integrating the B Corp’s global ecosystem is key in fostering knowledge-sharing, especially applicable to the best practices succeeding elsewhere, but also to create awareness of what initiatives are not feasible in the local context. As B Corps inspire other companies to be like them, they are business ‘influencers’; not seeking all firms to be certified, but rather to start acting as if they were. In doing so, they attract: 1. shareholders looking to maximize their capital by achieving a triple-impact; 2. talent that truly believes in the purposes of the organization; 3. responsible consumers preferring sustainable companies; 4. other organizations developing sustainable economic alternatives; and 5. motivated entrepreneurs aiming to generate value (Mincomercio and Confecámaras 2021: 7).

This is the case of Bancolombia, the country’s leading financial institution and the most sustainable bank in the world (S&P Global 2021). While it is not B certified, it has worked closely with Sistema B for years to expand a triple-impact culture in Colombia, so its suppliers, clients and competitors can also be immersed in the journey toward sustainability. “Our philosophy is to behave as a B Corp, beyond putting the B logo” (Cano 2021). To achieve this goal, it focuses on financial inclusion through banking services and credit accessibility and education, linking its efforts to SDG 1 on the elimination of poverty and others by using the Action Management Tool. Likewise, supporting small and medium enterprises – in Colombia, SMEs account for about 90% of employment (Ibid) –, by adapting financial products to fit the needs of different organizational structures, sizes and risks.

In this business ecosystem, the B Certification is complemented by other ownership models and certifications. For example, in Colombia the Collective Benefit and Interest

Companies (BIC) was founded in June 2018 with the passing of Law 1901 and enforced by Decree 2046 (Mincomercio and Confecámaras 2021: 4). BICs have a similar spirit than B Corps but its type of corporation is sustained by the national legislation.

The BIC figure represents a statement of a company that wants to go beyond its object in solving its customers' problems from a sustainability perspective. To do so, the company selects the categories proposed by the law where it will focalize its impact, measuring and reporting them annually in a socio-environmental management report using B Lab's methodology. According to Camilo Ramírez, Director of Sistema B Colombia,

“The goal is systemic change. In achieving it, we understood the need for the government to recognize other ways of doing business, which is why we promote BIC as one of the many alternatives to corporate sustainability that complement the B certification. The difference is that B Corps are measured by the highest socio-environmental standards and work interdependently and collectively to attain the systemic change, inspiring the rise of this movement globally” (Ramírez 2021).

Also, the B Certification comes from the private sector and has a fee that small companies are not necessarily able to pay at the beginning of their journey. In these cases, they can begin with the BIC figure, which is public and free, to start getting familiar with the measurement and reporting of their impact. Eventually, they could pursue the certification as the company and its impact grow.

Summarizing, B Corps and other companies using the B Impact Assessment tool are consolidating a new business ecosystem that promises blue oceans for the early adopters innovating in sustainable ways to generate resources (Montes 2021). As the measurement of this impact is methodologically related to advancing SDGs, the latter constitute a moral compass for triple-impact corporate practices. Also, B Corps have a stronger agency by working together with other social companies' figures, labels or certifications, with BIC outstanding in the Colombian context.

These findings confirm that the nature of B Corps and hybrid organizations in general is to promote the systemic change that the moral economy proposes from the theory. These companies are demonstrating that it is feasible to prioritize a positive and sustainable impact while remaining profitable. This is consistent with the need to revise traditional capitalist practices, as described in Chapter 3. Finally, the contagion effect achieved by B Corps in influencing the business ecosystem in which they operate aids the expansion of moral economic practices, advancing in the spectrum toward a moral economy.

4.1.2 Focused on Stakeholders

B Corps transcend paternalism as their social impact mechanism, to develop capabilities that enable them and their stakeholders to be sustainable in time. As sustainability is limited if working in isolation, it must eventually become the business norm; leading firms and their partners to adapt their practices to the workings of a social business ecosystem and of the communities involved in their operations. This adjustment includes other voices and knowledges, fostering a horizontal dynamic in their projects, instead of the hierarchical structure prevalent in capitalism. Likewise, attesting for inclusive business practices that contribute to the democratization of the economy, as proposed conceptually in the theoretical framework.

The focus on developing capabilities as an outcome of B Corps' impact corresponds with the capabilities approach. Generating capabilities and turning them into functioning's entails a holistic effort on "conversion factors" (Robeyns and Morten 2020), such as values, talent development, education and community work. To achieve this, B Corps promote a training and technology transfer process for stakeholders, predominantly found in those working in agriculture, such as farmers. Stakeholders are empowered to keep a fairer share of the value they are involved in producing. This further relates to fair pricing throughout the value chain, as will be elaborated in the fourth item of this section.

In short, B Corps work to generate capabilities in their stakeholders, fostering human flourishing and enabling them to increase their welfare levels. This improves their chances of living a dignified existence, resonating with the deontological approach described in the ethical framework. Given B Corp's focus on stakeholders, it is key for them to consider other knowledges in their operations, aiding economic inclusion. For example, by horizontally including the visions and ideas of multiple actors involved in the value creation process. This is especially relevant given the traditional hierarchical structure that tends to silence the voices at the base of the pyramid (Montes 2021).

4.1.3 Asking the Right Questions

The B certification process guides companies through an internal and external analysis to understand how they are performing and contrast it with their competitors within and without the B Corps' ecosystem. To Montes (2021), this is the added value of the certification as it implies a deep and conscious revision of the company's policies and practices, to assess if their impact-driven mission is being fulfilled in practice, at the same time involving employees directly in this goal. The resulting institutional analysis benchmarks in-house policies with market trends, yielding valuable information for the strategic planning of organizations.

As abovementioned, the reporting tool provided by B Lab is useful and accessible for non-B Corps. For instance, this methodology asks the right questions to those seeking to become a BIC or to relate their operations to specific contributions to SDGs' accomplishment. In 2021, approximately 3,000 Colombian companies used the B evaluation as an instrument to structure their organizational processes and manage their triple impact in the national market (Ramírez 2021).

Asking the right questions is only valuable if it translates into key actions deriving from the answers. According to Filevich (2021), this introspection process is needed for companies to deepen their operational consciousness, which allows encountering higher efficiency levels. "It is not necessary to sacrifice efficiency for being a B Corp, because better performance indicators are a consequence of having better practices. Especially in a market in which consumers want to know more about the supply chain of the products they buy" (Ibid). For example, the B Certification guides companies in considering if their operations are displacing any communities or if their suppliers treat their employers fairly, among others.

4.1.4 Fair Pricing in a Moral Economy

It is inevitable to address fair pricing when speaking about a moral economy. This topic was specifically included in the qualitative primary data collection by asking companies how they ensured that their prices followed fair considerations and how were these constructed. The conclusion is that most B Corps abide by general market pricing, which in Colombia is regulated for some products and services, such as medicines, items of the basic consumption basket and health devices (Semana 2020). Other companies work on pricing analysis, benchmarking with the main players operating in the same market segment. Based on their pricing levels, they position themselves in the market but with a key difference: their pricing policy formally includes their triple-impact practices.

Referring to 'fair pricing' is not as simple as comparing the prices in companies A and B, because first it must be analyzed if they are both measured by the same standards. Pricing becomes about the added value, which in the case of B Corps is measured in terms of impact. "I rather have slightly higher prices and tell people why, so they consciously chose to pay more knowing that the extra is going to better corporate practices, especially in a market in which consumers want to know about the supply chain of the products they buy" (Filevich 2021).

A fair price is also closely related to fair retribution for the value creators. For instance, in agriculture this entails a better price for the peasant, achieved without increasing

consumer prices by cutting production costs. Arrocería La Esmeralda, like other agriculture companies operating in the B business ecosystem, succeeded in this regard by focusing on technology transfer to peasants and the elimination of pesticides in crops. In doing so, they guarantee paying a higher price to their in-field suppliers, while also delivering a cleaner product to clients. In this case, a fair or moral price represents a sensitivity toward “the farmer and the processes of the earth and the time it takes for the planet to give birth to anything, any food” (Salazar 2021). Therefore, fair pricing considerations must include the environment as an economic stakeholder, as argued in the theoretical definition of the moral economy.

The construction of ‘fair prices’ in the B Corps ecosystem is also related to product accessibility. For a company to be B certified, they must answer the B Evaluation, which considers around 50 different impact models in several categories, such as governance, environment and community, to name a few. One of these categories is ‘clients’, in which the impact is linked to enabling the entrance of a given product or service to a community or market segment that could not previously afford it. This specific impact model relates to pricing, but there are many others in which the price is not necessarily considered.

The social license to operate is found to be an additional avenue, besides pricing, for return on investment in corporate responsibility practices. This is important because B Corps are still for-profit businesses and need all their investments to make sense financially. In other words, “referred to as ‘profit with a purpose’, B Corps aim to make enough margin to sustain the business and reinvest in new products to pursue their social purpose” (Stubbs 2017: 305). This margin companies keep is partly used in advancing their social programs. As it also considers the social license to operate, if stakeholders do well, then so does the company. However, an ethical dilemma arises: is there such a thing as a fair profit margin? and if there is, how and according to whom is it determined?

Finally, it is important to consider prices and competition. Low prices usually allow companies to capture market share and grow. As growth is not the ultimate goal of social companies, rather the triple impact, price competition is not the best strategy for a B Corp. Filevich (2021) shares that in Colombia, prices often experience an imbalanced price/quality [real value] relation, especially in the food industry, where many international companies venture with the discourse of democratizing the market through low prices but in reality colonize it because their production processes are more industrialized. This allows them to operate in economies of scale that are often unattainable to local competitors. This finding informs the theoretical definition of the moral economy by adding that consumer

preferences must transcend pricing into a more conscious choice regarding the kind of business and productive processes they want to support. It works similarly for the suppliers and other stakeholders, as they also choose the type of economies they want to contribute and partake, again referring to a process of economic democratization.

In brief, the fair pricing in the moral economy does not need to differ from the general market or regulated prices, if: 1. focusing on consumers' accessibility; 2. avoiding excess prices; and 3. 'fairly' dispensing the profit margin among value creators. This closely relates to B Corps' emphasis on stakeholders because employees and suppliers are included in the pricing considerations and value distribution. Overall, fair pricing in the B ecosystem accounts for better corporate sustainability practices. In doing so, negative externalities are minimized and internalized in the price of services or products.

4.1.5 Driving a Change in Social Values

As proposed in the previous chapters, the case for the moral economy is supported by the premise that a change in social values is happening. There are many possible causes for it, such as: 1. globalization and increasing interconnectivity, by making individuals more aware of the problematics experienced elsewhere and of our mutual interdependence; 2. the perilous threat of crossing planetary boundaries; and 3. the cost of rising inequality, among others. The Covid-19 pandemic and the social crisis it triggered accelerated this social change, leading people to reevaluate how they want to relate and do businesses with each other and awakening a moral sensitivity in the entrepreneurial ecosystem for doing things differently. Despite its crude havocs, it "should serve to remind us that inequality is the mother of all forms of conflict, which demands amelioration" (Murshed 2020: 7).

In Colombia, the *Paro Nacional* (national strike) started on April 28th, 2021, is an expression of a society demanding a change and more inclusion in the social, political and economic dynamics they live in. The findings of the primary data collection for this case study confirm that a change in social norms requiring companies to be more sustainable is happening in the country, consistent with the trial-and-error process for social transformation proposed by Virtue ethics. "Values' change is a clear market trend. It is seen more today in companies than in consumers as the former are increasingly compelled by the market, regulation, financial institutions and fellow buyers to follow the sustainability transition" (Cano 2021).

While social companies are investing a lot of resources in [re]embedding moral practices in the economy, their clients are not necessarily aware of these efforts or their

importance, so the market response is not yet proportional to their investment. A good indicator would be the difference between the perceived value of social companies and their actual market share, to understand to what extent the discursive support to social companies translates into consumer choices that allow them to capitalize on this endorsement. For this to happen, Montes (2021) believes there needs to be more education, so the ROI on having more sustainable practices is the added value making a difference in consumers' preferences.

Currently, the sustainability transition in Colombia is mostly driven from the legislation – such as with the BIC law - and not simultaneously from education. Most consumers report to prefer socially responsible companies (Nielsen 2018), but in practice, people still choose what to buy without reflecting on where it comes from or its footprint. Having participatory and educated consumers is crucial in driving the transition toward a moral economy because they bear the responsibility to ascertain how much are B Corps really committed to impact over profit, auditing the companies they choose to buy from.

Nonetheless, the social conditions in the country force most people to think in the short term: unfulfilled basic needs prevent a real transformation in Colombia. “Without access to water, sanitation, health, education, I will not think about helping others. But awareness is growing and sustainability is a three-legged table. We need to focus on balancing the social, environmental and economic aspects to keep it stable” (Cano 2021). It is fundamental for a moral economy to focus on generating capabilities, because the derived functionings will allow the [re]production of a sustainability culture that considers long-term welfare in present choices.

Finally, Colombia has a historic debt with change, being one of the most unequal countries in one of the most unequal regions in the world and characterized by a violent history. These circumstances impact the high levels of informality of the economy, which should also be considered when envisioning the possibilities for a moral economy. B Corps endeavor to raise awareness by making a message viral:

“It does not matter if you are a social company or not, we need to start making business differently now. We must begin by questioning what traditional business education in Colombia holds as ‘moral’: to grow enough to dominate the market. We need to change this paradigm so entrepreneurs undertake their journey with another vision of what they want to accomplish” (Filevich 2021).

To drive this transition forward and transform the current system, Sistema B focuses on giving exposure to peasants', ex-guerrilleros', or simply any other citizen's entrepreneurships.

4.1.6 Challenged by Scalability and Mistrust

The B Corp movement is currently a wave of impact-driven companies striving to transform the system, but to do so it first needs to scale-up into a tide. As it is often faster to achieve organizational scalability by prioritizing profit over impact, it is hard to be competitive in a system that still overlooks impact and measures success by financial indicators (Montes 2021). The external world to the B ecosystem is real and is not compatible with its values. This is especially problematic because operating in a capitalist market implies a contractual relationship with companies that are still solely revenue driven.

This was the case of *Acción Verde*, the first B-certified company in Colombia that had to eventually turn into a foundation to access international funding to support its mission of reforesting the country. “The vision we had of being an environmental company hired by other companies that also cared about the planet turned out to be untrue” (Soto 2021). For example, some oil and gas companies auction their environmental compensation projects in the market, often looking for the cheapest option instead of the most efficient one. Likewise, if these big capitalist companies have payment schemes up to 3 months, a small B Corp may lack the financial strength to wait with these long periods. Long bureaucratic processes hamper B Corps ability to navigate the current system because their talent attraction prioritizes finding people that share the B spirit instead of the ability to work like corporate sharks trying to lower costs at any available means.

The challenge of scalability and bureaucracy in a predominantly capitalist market is hardened by Colombia’s generalized mistrust, which is partly caused by the country’s conflict history. “While trust must be at the core of the moral economy, perhaps the moral economy is also a way to foster trust in a country that suffers from collective trauma” (May 2021). The systemic lack of trust leads to intricate and time-consuming bureaucratic processes that make the economic and political system inefficient.

In the B ecosystem, this mistrust is embodied in the fear of ‘green washing’. After all, it is very easy to lie with numbers. For example, multinational companies often advertise how they reforested 1,000 trees and their audience thinks it is a lot, but it is barely a hectare (Soto 2021). Similarly, the ‘white washing’ advertises how they donate to their stakeholders, but those donations may not really leave a sustainable impact.

While ‘green’ and ‘white washing’ also occur in the B ecosystem, interviewees believe these cases are the exception rather than the norm. Especially given that even when companies are certified as part of a marketing strategy, the political mechanisms enabling the certification are measuring their said positive impact. Nowadays, consumers and other

stakeholders have real-time information on companies' performance, so the best way to create trust is through coherence. "If companies send an impact message that does not match their actions, a dissonance jeopardizing their social license will be created. They know that to become B certified, they have to be consistent" (Ramírez 2018).

In this context, B Corps try to benefit from including B Lab's branding and logo, indicating their triple-impact commitment to potential consumers. The national legislation is gradually adapting to protect social companies and foster their success. The private sector is also working to nurture a moral business ecosystem. For instance, Bancolombia is using its national leadership to promote competitiveness in access to capital for social companies, seeking to translate purpose in letters to positive numbers. It created a sustainable financing line that since 2014 funds credits linked to environmental, social and corporate governance indicators. This offers B Corps a discount rate of up to 100 basis points on the interest rate, improving their economic profitability in the cost of capital. "Our role as a bank is to mobilize the economy, caring for the kind of activities we finance and their impact. Colombians trust we manage their savings correctly and sustainably." (Cano 2021). By 2030 Bancolombia is committed to disbursing COP\$500 trillion in ventures aligned with SDGs, a goal that represents twice the current total assets of the organization.

4.2 The role of B Corps in [re]embedding a moral economy

The primary data collected for this case study enabled an insider gaze on how B Corps operate and coexist with other social companies and actors [in]outside their business ecosystem. In Colombia, the legislation is progressively responding to changing business practices. The standard is clear: to have a positive impact as the outcome of any operation.

Social companies are a relatively new institutional actor driving economic enhancement forward. In just the fifteen years that have passed since the creation of the B Certification, B Lab has achieved a rapid expansion through regional and national subsidiaries that retain enough autonomy to contribute to the triple-impact goal from their specific circumstances. In this sense, it is consistent with the capabilities approach on a very fundamental level: thinking outside the mainstream development box by valuing individual subjectivities in the process of defining new development outcomes beyond growth and profit, such as wellbeing, human flourishing and sustainability.

As companies transition in the spectrum toward moral economic practices, they acquire higher levels of organizational consciousness, allowing them to better find and

understand their purpose (Filevich 2021). Daily business information – from stock exchanges, financial reports, human resources turnover rates and competitiveness, just to mention a few - confirms that growth is not enough to assess performance. These realizations permeate from social companies' practices, influencing and being simultaneously influenced by changes in public policy and social values, together supporting the transition toward another economy.

While in some places this motion is still stagnant or occurring very slowly, other regions are speeding it up; giving traction for moral economies to gain momentum. For example, the European Union – the biggest supranational entity in the international arena - is breaking ground with its *Social Economy Europe* initiative, creating an institutional political framework prioritizing purpose over profit, democratizing business decision-making, value distribution and promoting solidarity bonds for attaining local development. It is important to mention that even in this case, the transformation was first driven from a bottom-up approach. Ten years ago, Spain pioneered with the first social economy legislative framework by passing Law 5/2011 and putting the need for another economy on the regional agenda (Social Economy Europe 2021). Today, this once unilateral effort has evolved into a continental action from the EU, influencing economic policy globally from a top-down approach.

Finally, a crucial contribution of B Corps is that their goal, and that of B Lab, is not to have all companies certified. It is already a big gain for B Corps to influence other organizations to act as certified, even if they are not. The latter aspire to become a better version of themselves by emulating B Corps and using the same reporting standards. Doing so, leads them to reflect on the delicate balance between their duty to yield returns to their shareholders and the consequences of their operations, implying the higher moral duty to prevent, manage and minimize any negative externality. This rationale agrees with Virtue ethics as it acknowledges that the “good is a delicate balancing act of finding the mean between extremes [capitalism vs. the moral economy or profit vs. impact]. [...] Agents are concerned with both consequences and duties, but subject to social relations and context” (Staveren 2007: 28).

Chapter 5 Conclusion: Nodes of Hope for a Moral Economy in the 21st Century

“Perhaps it’s motion, rather than growth, that drives us. [...] We should view motion as the natural and actual state of matter, a condition that needs no explanation because it stems from the nature of the universe itself. It’s the essence of existence. Growth is a manifestation of motion. In the economy, we see growth as good. This is not an unquestionable fact, but a subjective judgment. You can reevaluate a judgment. What we’re missing in the economy and in companies is the moral framework for making this kind of judgment. We see the economy as a neutral system, which it isn’t. We all have the responsibility to think about the meaning and impact of the growth that we’re striving for. What do we want to expand, or shrink, or stay as it is? That isn’t an innocent choice” (Spaas 2020: 38).

This research used a mixed methodology through a critical literature review and qualitative primary data collection to approach the possibilities for a moral economy. Its findings suggest that from a development economics perspective, it is key to acknowledge the role of normative and ethical values to guide what is desirable. As “economics cannot be value-free [...], the validity of economic analysis and the correctness of economic prescriptions should always be evaluated in light of the underlying assumptions or value premises” (Smith and Todaro 2015: 12). This logic reaffirms the need to include moral considerations in the economy.

The theoretical framework was informed by Virtue ethics and Deontology as lenses to understand common social values, universal principles and goals; allowing agreement on what constitutes a ‘moral’ economic practice. Additionally, the capabilities approach oriented the desired development outcomes of a moral economic project, setting freedom as the core component of human welfare, achieved by the generation of capabilities that can effectively derive in functionings. The previous chapters expanded on this matter by covering the state of the art in the moral economy debate, referring to the main academic stances conforming its conceptual genealogy and addressing some related topics along the way. Similarly, this work provided empirical grounds on the role that B Crops in Colombia have in fostering a systemic change compatible with the development compass for a moral economy presented in the theoretical framework.

A key takeaway from this research, which is more of a reaffirmation rather than a breakthrough discovery, is that humans need society: pragmatically for the sake of survival and spiritually as a social species. If the need for society is vital, anything jeopardizing it is against the best interest of humans (Smith 1982: 315). Under this logic, the market economy and its most radical version in the self-regulated market will eventually exterminate society

by subjecting it to non-human laws (Polanyi 2001: 131). Thus, it is a direct threat to humans. As it is evident that finding economic alternatives is vital for our survival, this research's relevance is rooted in the need to [re]embed the economy in society.

So far, this conclusion has been about recapitulating on the methodological results. It is also fundamental to reflect on these findings' strengths and weaknesses to answer the research questions. Starting with an assessment of the secondary ones, a working definition of the moral economy was provided in Chapter 3. This project for another economy is utopic in meaning and formulation, as it refers to:

“An economy that constantly anticipates and cooperates with the larger whole: people and the earth [...], part of nature and society, and that also shares and distributes its revenues so that it brings prosperity to everyone; [in which] co-creation is more important than competition and that sharing is more important than growth” (Spaas 2020: 39).

It is only logical for it to remain such an intimidating endeavor. After all, it is hard to put things into perspective when we are so immersed in our current system that it seems eternally hegemonic. But it is not and nor are we.

The most durable human species on Earth, the *Homo Erectus* native from Eastern Asia, lasted two million years on this planet (Harari 2014: 6), while we, the *Sapiens* species of the *Homo* genus, have only been around for less than half a million (Handwerk 2021). While in this time we have conquered all other earthly species, and even our own, we are unlikely to beat our predecessors on the endurance record at our current resource depletion and environmental degradation. Contextualizing how little we have existed compared to our genetic ancestors confronts us with our limitations, but also with the power of time in changing every *status quo*. The moral economy, for whatever it may be — a supplement, complement or replacement of the current capitalist system — offers an alternative. By envisioning the pathways for a moral economy, I strived to make sense of hopeful futures for our societies to continue to exist on this planet.

Regarding the secondary question on the role of B Corps in [re]embedding a moral economy, Chapter 4 introduced the embodied experiences and challenges that these hybrids undergo in navigating the capitalist system while trying to operate by triple-impact standards. The finding was that B Corps are most effective in promoting a moral economy when combined with the efforts of other social companies and actors. The implementation of this economic project must be transversal because a tremendous force is required to break systemic inertia. Such agency for change can only come from the simultaneous endeavor of multiple actors, developing closer links between the business and governmental sectors,

supported by a policy framework and mobilized by a participative guild of consumers, investors and other stakeholders (Reed 2015: 103).

Concerning the main research question, the arguments hereby presented weaved a narrative deepening on the extent to which a moral economy can be [re]embedded in the economic system of the 21st century. The purpose of this conclusion is not to summarize all that has already been said. Rather, to add some personal remarks on this academic journey.

This research process reminded me of the incredible power of semantics in our self-identification and understanding of our economic role in the system. When thinking about the words we use to describe our economic activities, especially those that give us satisfaction, ‘earn’ was the first verb that came to my mind. This mental response mirrors the capitalist commodification of labor I was socialized into. Accordingly, all value must be derived from income and thus we need to ‘earn’ an income. For example, ‘I earned this vacation’, ‘I earned this moment of relaxation’, etcetera. After, I reflected on the alternatives to using this verb. Maybe ‘given’, but rarely are things given to us without us putting in some work. I finally arrived at the word ‘cultivate’ and realized that a project for a moral economy is not about ‘earning’ this utopia, because the meritocracy of capitalism is a sham well exposed already. It is not that we will be ‘given’ a moral economy either, at least not from the benevolence of our government or institutions. The only feasible option left is for us to ‘cultivate’ the moral economy that we want to have and the economic practices that are to be embedded in the economic communities that we also ‘cultivate’ because we want to live in them.

This personal reflection is significant for answering the main research question because a moral economy will simply be [re]embedded to the exact extent to which we are willing to cultivate it. This, of course, is not as simple as that, for succeeding implies that we harvest it from: 1. our individual practices as consumers, investors, entrepreneurs, employees and stakeholders; 2. our families and communitarian culture; 3. our institutions and legislation; and 4. eventually systemic structures.

A moral economy will be [re]embedded in the extent to which we can break the inertia and transition toward increasingly moral economic practices. But for these to become the new *status quo* also depends on our collective ability to withstand capitalism’s magnetism for preserving its hegemony. It is not a coincidence that Polanyi (double movement), Foucault (power and resistance) and Gramsci (hegemony and counter-hegemony), three of the greatest thinkers of modernity, had resistance as a constant notion in their theories. All economic actors lie together in a balance in which some resist the embedding of a given system

and others its disembeddedness. The side on which each of us is located depends on our interests and intersectionality.

Referring to the role of resistance in a moral economy is also related to the rate of change. Just like friction in physics, social resistance is a key force driving economic relations, by slowing down change, creating the scope for better targeting its course. Instead of being discouraged by how time, effort and resource consuming it is to transition toward a more moral economy, we must harness the opportunity to build a steady pace for this trial-and-error process to be completed.

Finally, I want to briefly reflect on this paper's areas of opportunity, which constitute future research leads. A deeper gaze from an institutional economics perspective could be beneficial to understand how to achieve a more holistic push for a moral economy from other institutions besides social enterprises. Much more can be said on the role of the state and governmental institutions in enforcing a transition toward a more sustainable system, delving into legal considerations. Similarly, Development Economics has a lot to add regarding the nuanced differences in a moral economy's applicability to the Global North and South. It is necessary to gather more evidence on the performance of B Corps in other countries, to provide a general outlook of how a moral economy is progressing in each region and understand which characteristics are aiding or hampering it. Also, to analyse other nodes of hope currently [re]embedding it, such as the role of: 1. the academia in driving paradigm shifts; 2. governments in fuelling institutional transformations; and 3. non-governmental organizations in coordinating change internationally.

I conclude this research path with the knowledge that my arguments for a moral economy can be discarded as wishful thinking. The systemic structures shaping our idiosyncrasies have succeeded in making us think so, but we can still return to integrated communities that help each other and renounce the generalized indifference we experience today. Envisioning a better social configuration requires a tremendous will and creativity to break the shackles constraining us to think that it is not possible to improve things significantly for all the people that suffer in this system. We owe it to them and to future generations to design a map to this utopia.

“A map of the world that does not include Utopia is not worth even glancing at, for it leaves out the one country at which Humanity is always landing. And when Humanity lands there, it looks out, and, seeing a better country, sets sail. Progress is the realization of Utopias”
(Wilde 1997: 12).

Appendices

Appendix 1 Interview Template

Erasmus University Rotterdam

International Institute of Social Studies

ACADEMIC INTERVIEW

“NODES OF HOPE: THE ROLE OF SOCIAL COMPANIES IN [RE]EMBEDDING A MORAL ECONOMY
IN THE 21ST CENTURY”

COMPANY NAME

DATE

The questions below pertain a research on the role of social companies in [re]embedding a moral economy in the 21st century, with a case study on B Corporations in Colombia. This research is supervised by the International Institute of Social Studies at the Erasmus University Rotterdam, as part of the MA. in Development Studies and Economics.

I thank all participants in advance for sharing your valuable insights.

Sincerely,

Veronica Yepes Moreno Candidate

Candidate MA. in Development Studies, Major in Economics for Development

INTERVIEW QUESTIONS:

Please answer the questions below as detailed and accurately as possible. The first part of the interview concerns the certification for B Corporations. The second part, its applicability to the moral economy.

B Certification:

1. What is the added Value that being B Certified adds to your company and to society?
2. To what extent and how has this certification changed the daily practices of the company?
3. Critics of social enterprise certifications, such as B Corp's, argue that these often are a marketing strategy to disguise old capitalist practices. How has been your company's experience on this regard when operating in a social enterprises' ecosystem?

Moral Economy:

4. How is your company contributing to fostering a more moral economy and to what extent can you measure this impact?
5. To what extent can an impact-driven company thrive in a for-profit and capitalist market?
6. What are the concessions [sacrifices] that the company has had to make when balancing business needs [for-profit] and protecting its impact mission [non-profit]?
7. What strategies have been the most useful for your company to cope with this and balance business needs and social impact?
8. My study of the moral economy finds that solidarity, redistribution, reciprocity, and social protection are pillars to the moral economy. To what extent are these principles present in the company's economic practices and environment?
9. Please share any additional information you think would be valuable to this research.

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